FIELD HEARING ON THE STATE OF THE AMERICAN ECONOMY: THE HEARTLAND

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

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C O N T E N T S

OPENING STATEMENTS

WITNESSES

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CHAIRMAN JASON SMITH

FOR IMMEDIATE RELEASE CONTACT: 202-225-3625
February 28, 2023
No. FC-03

Chairman Smith Announces Field Hearing on the State of the American Economy: The Heartland

House Committee on Ways and Means Chairman Jason Smith (MO-08) announced the Committee's second field hearing examining the state of the economy for American workers, farmers, and families. The hearing will take place at **8:00 AM CT on Tuesday, March 7, 2023, at Express Clydesdales** in Yukon, Oklahoma**.**

Members of the public may view the hearing via live webcast available at https://waysandmeans.house.gov. The webcast will not be available until the hearing starts.

In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Tuesday, March 21, 2023**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Please indicate the title of the hearing as the subject line in your submission. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities accessible to persons with disabilities. If you require accommodations, please call 202-225-3625 or request via email to WMSubmission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the Committee website at http://www.waysandmeans.house.gov/.

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THE STATE OF THE AMERICAN ECONOMY: THE HEARTLAND

TUESDAY, MARCH 7, 2023

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met, pursuant to call, at 8:02 a.m. at Express Clydesdales, 12701 W. Wilshire Blvd, Yukon, OK 73099, Hon. Jason Smith [chairman of the committee] presiding.

Chairman SMITH. The committee will come to order.

Without objection, the gentleman from Oklahoma, Chairman Lucas, is authorized to participate in the hearing and ask questions.

Welcome to the second field hearing of the Ways and Means Committee.

Thank you to our host, Express Clydesdales, and to Representative Hern and Representative Lucas, for hosting us in your beautiful State.

The committee is in Yukon, Oklahoma, today to listen to working Americans about how to make life better for their families, neighbors, and communities. Oklahoma is a place where self-reliance and the frontier spirit run deep. Oil, natural gas, and agriculture built Oklahoma. America's heartland is the story of the people who fuel, feed, and build our country.

Today, two-thirds of all the energy produced in Oklahoma is exported across the country and the world. The State is the number one producer of rye, one of the top producers of beef cattle, and it has the fourth largest number of farms in America. And yet, Democrats in Congress and the White House have targeted communities like this one for the heavy hand of government regulation. ESG standards will limit the capital needed to expand Oklahoma's oil and gas leadership and put radical climate and social policies ahead of the retirement security of working families.

The President's policies have made life unaffordable for middle-class families. Even here, a State with plentiful energy, diesel prices were 62 percent higher at their peak than the day Joe Biden became President. Over the last decade, 92 farms in Oklahoma went bankrupt.

President Biden, in his budget this week, will want to make it even harder to pass the family farm down to the next generation. He wants to repeal stepped-up basis and increase the death tax, treating family farms like piggy banks to pay for more welfare for the wealthy. When it comes to Oklahoma manufacturing, the prices that producers pay have risen 17 percent during President Biden's administration. Small businesses can barely make payroll and pay rent with their razor-thin margins.

I am pleased to welcome Bryan Jackson, an Iraq veteran and founder of a meat packing company; Chuck Mills, owner of a family owned manufacturing company; Kelli Payne, a fifth-generation rancher from Mustang, Oklahoma; and Joe Brevetti, a small oil producer; and Ms. Kantz from Tulsa.

In 2 days, President Biden will release his latest budget. If history is our guide, America's heartland should expect a budget that continues Washington's assault on their way of life. Biden's last budget threatened $45 billion—$45 billion in new taxes on American energy producers. It spent $330 billion on policies that discouraged work, worsened supply chains, and leaves Main Street littered with "help wanted" signs.

Biden's 25 percent increase for the EPA would supercharge an agency that thinks it is their business to tell farmers whether a small stream, pond, or farm dust is is harming the environment. We must humbly listen to the working Americans who are living under these failed policies so we can chart a better course.

For those of you from the community attending today, or employees of Express Clydesdales, we also want to hear from you. There will be notebooks and clipboards passed around in the back, and I want to encourage every audience member to please share your experiences and ideas to help us get this country back on the right track. These will be entered into the official hearing record to guide this committee's work.

I want to thank our witnesses for taking the time away from their families and busy schedules to be here today, and we look forward to your testimony.

I am pleased to recognize ranking member from Massachusetts, Mr. Neal, for his opening statement.

Mr. NEAL. Thank you, Mr. Chairman.

I want to thank Frank, and I want to thank Kevin for their warm welcome to Oklahoma.

If you are wondering what my interest was in Oklahoma, any place that produced Mickey Mantle has got to be a great place to live.

So, I want to thank you, Mr. Chairman, and thank our witnesses for joining us this morning.

President Biden and congressional Democrats, our economic agenda is focused on building the economy from the bottom up and the middle out. And the legislation delivered by the Ways and Means Committee and Democrats has already delivered for Oklahoma, and most importantly, for its workers.

The State GDP outpaced national growth in the third quarter of 2022, and unemployment hovers at historic low rates. I see the motto of "work conquers all," and I know you don't take it lightly in Oklahoma. But a desire to work isn't all that is needed. In even a strong economy, workers must be able to work fairly and be compensated fairly.

Further, supercharging our economy will only come when we take action on affordable childcare and universal paid leave realities, which will eventually happen. This is why Federal direct investments in workers and their families have been so crucial to these communities. Democrats expanded the child tax credit, which brought nearly 60,000 Oklahoma children out of poverty, cutting the poverty rate in half. No policy has done more to reduce child poverty than this one.

The American Rescue Plan permanently increased desperately needed Federal care in terms of child investments across Oklahoma and other 49 States. The critical step was first in expanding that child credit and enabling workers to reenter the workforce. I will say again that we will continue to defend Social Security and Medicare and not to have any cuts based upon some of the proposals that we have heard about.

We also put money back in the pockets of working Americans with the Inflation Reduction Act. We helped lower healthcare costs by allowing Medicare to negotiate high-cost drugs, capping out-of-pocket costs for 21,000 Oklahoma seniors and reducing health insurance premiums for millions of Americans. All of these life-saving policies will provide more certainty for American families.

We have already seen this law drive industry action. Just this week, a major insulin manufacturer announced a universal cap on insulin costs. And our work in spurring growth for small businesses and workers and families across the State of Oklahoma, in places just like Yukon, will continue, you can be assured. This is one of the top States for clean energy development, thanks to Oklahoma's ample wind, solar, and hydro energy potential, existing infrastructure, and talented labor force.

When coupled with the bipartisan infrastructure law and tax credits championed by the Ways and Means Democrats in the Inflation Reduction Act, the clean energy economy in Oklahoma is accelerating. I must tell you all today that I hope that this State, like others, will take full advantage of $369 billion of tax credits for battery power storage, which this State is particularly well positioned to take advantage of.

An estimated 2,000 clean energy jobs have also been created in Oklahoma since last August, and that is just the beginning. Companies across the heartland are capitalizing on incentives to drive R&D and turbo charge manufacturing right here at home. From electric vehicles to wind power, economic growth will be felt by rural and industrial communities alike.

And as you will hear today, the contrast is clear: We want to make sure that the wealth of America is evenly distributed across this great country of ours. We know that the state of our economy is strongest when government puts the interest of the middle class over the well-connected and the wealthy.

We are going to continue to build on that work to expand affordable childcare, paid leave, protect Social Security and Medicare, and for those who are openly advocating tearing up those benefits from the people of Oklahoma. We too understand the importance of promoting economic opportunity for family farmers and other business in the agricultural sector. One of the great things that happened in this country was the unity that was caused by great farmers in the farmland of this country and what it did for urban people who needed food. You helped contribute to making that a reality.

So, thank you, Mr. Chairman, and I want to thank our witnesses for being here today. I look forward to them sharing their experiences with us.

Chairman SMITH. Thank you, Ranking Member Neal.

I am pleased to recognize the gentleman from Oklahoma, Mr. Hern, for 1 minute.

Mr. HERN. Thank you, Chairman Smith.

I want to start by thanking our host and welcoming my colleagues to the heartland of America and my home, the great State of Oklahoma.

Although my fellow Oklahomans here today are facing many challenges under this administration's economic policies, it is fair to say we are all proud to be Americans, but we thank God we are from Oklahoma. Most don't know this, everybody thinks of us as a 95 percent oil and gas State, but almost 50 percent—over 50 percent of our energy in our State are from renewables, something that needs to get out across America. We believe in the all-the-above energy for all of America.

You know, over the past few years, our State has welcomed families and businesses, both small and large, from States like New York and California, and we are represented today from our members from New York and California. We want them to experience—and maybe you all will want to come here also. Not in your current capacity, but—in fact, census data shows that Oklahoma is among the top ten States in the country where people are moving to. But while Americans can migrate to States with friendlier business climates, they still face an overbearing Federal government and burdensome policies from the Biden administration that stunt their growth.

I am excited for my colleagues to hear the stories of hardworking Oklahomans. Unfortunately, many job creators and entrepreneurs face unnecessary struggles because of this administration's harmful regulation and reckless spending.

I want to thank our witnesses for being here today. I appreciate your time away from what you do every day to come here and speak to us. Your testimony today will inform our legislative process. And as a former business owner who spent a lifetime on farms—I literally sold a farm to buy my first McDonald's restaurant—I know firsthand the American people, not Washington, know what is best for all of us.

Thank you, Chairman Smith, for coming to the heart of America and allowing Oklahomans to highlight the devastating effects of the Biden economy. I yield back.

Chairman SMITH. Thank you, Mr. Hern.

I am pleased to recognize the other gentleman from Oklahoma, the chairman of the Science Committee, Mr. Lucas.

Mr. LUCAS. Thank you, Chairman Smith. And I would like to extend a very warm welcome to you and Ranking Member Neal and all the other members of the illustrious Ways and Means Committee to the great State of Oklahoma.

For those of you who are not familiar with the committee process, I, like many other members, belong to a variety of other committees. But my friends here would note to you there is only one Ways and Means Committee. Correct, Mr. Chairman?

Chairman SMITH. That is correct.

Mr. LUCAS. The topic of this field hearing is not only timely and appropriate, but the location is too. I can't think of a single industry in our State that is not directly impacted by the work of this committee. The future of ag, energy, manufacturing in Oklahoma and across the country is dependent on tax and trade policies that work for these industries, not against them.

I look forward to joining my colleagues today in learning more about the challenges these witnesses are facing on the ground and how Congress can help address those issues.

With that, thank you again, Mr. Chairman. Thank you to the committee, and I yield back.

Chairman SMITH. Thank you. Mr. Chairman.

I would like to introduce our witnesses. Mr. Bryan Jackson runs Route 66 Meat Processing & Market, Oklahoma's only USDA inspected meat processing facility. He is a West Point graduate and served in the Army for 6 years for which he was awarded the Distinguished Service Cross and Purple Heart.

Mr. Chuck Mills is owner and President of Mills Machine Company, Incorporated, a major custom manufacturer of Earth-drilling tools founded by his family in 1908. The company now exports an average 25 percent of its products to an estimated 70 international markets.

Ms. Kelli Payne is a fifth-generation farmer and rancher from Mustang, Oklahoma, and serves as north central district vice president for the Oklahoma Cattlemen's Association and was recently appointed as chairperson of the Oklahoma Cattlemen's Foundation.

Mr. Joseph Brevetti manages all aspects of oil and gas operations, prospect and property evaluation for independent exploration and development for Charter Oak Production.

And Ms. Shiloh Kantz is the executive director of the Oklahoma Policy Institute, an organization she has worked with since 2010.

The committee has received your written statements, and they will all be made part of the formal hearing record, as I also want to let others in attendance know that they too may provide a written statement. Please find the clipboards and forms that our teams will have throughout the hearing where you can fill those out and submit your information into the record.

Now for our guests, you each all have 5 minutes to deliver your oral remarks.

Mr. Jackson, you may begin when you are ready.

STATEMENT OF BRYAN JACKSON, OWNER, ROUTE 66 MEAT PROCESSING, YUKON, OKLAHOMA

Mr. JACKSON. Chairman Smith, Ranking Member Neal, distinguished members of the committee, thank you for the opportunity to appear before you today. It is truly an honor for me to be here to share my thoughts with you on the state of the American economy.

I have had the honor to serve in combat in Iraq, spent a decade in the oil field, and now own and operate a USDA-inspected meat processing facility in western Oklahoma. We are located about halfway between Amarillo and Oklahoma City, so we serve customers from two States. From our faith in God and a little perseverance, we built our facility from the ground up during the COVID pandemic and are one of twelve USDA-inspected plants in the State. We left the city life to live on my wife's fifth-generation family farm. To give you an idea of our size, a large meat packer can process 800 beef in a day. We process that in a year. It takes dozens of plants like ours across each State to meet the demands of the local community.

Our first challenge I would like to discuss is labor. And there is a families quote by Michael Hopf that sums it up: Hard times create strong people; strong people create good times; good times create weak people; weak people create hard times.

Coming out of the COVID pandemic, we are still facing an increasingly challenging work environment where employees may or may not show up to work for a slew of reasons. As a result, our ability to complete the work we commit to is made even more difficult. Today, we find ourselves counseling and coaxing workers into just showing up to work and doing a satisfactory job.

I believe a deterioration of our family structure and work ethic contributes to the rise in mental health issues we are seeing. Trauma, like what I saw in combat, requires tools to learn to cope with, and today that is being substituted in our culture by drugs, alcohol, and other harmful vices. I see firsthand that we are at a point of weak people creating hard times due to a widespread entitled attitude.

People in our community are suffering, and part of the problem is they aren't empowered to change it. Hopelessness and depression are rampant, yet there are still hardworking people out there, most living paycheck to paycheck, just not as many as there used to be. We are grateful for the team we have, and we take their welfare very personal. In our small farming community, we don't have an endless supply of workers. We are a town of 4,800 people, most of whom have to travel for work. We work what is considered a dirty job, but still an essential job. For our team of people, it provides them a work-life balance, but it does require grit.

I have been humbled several times by corporate layoffs and then later by the experience of starting a small business. To be as resilient as generations before us, we need to toughen up. Failure is part of the journey. Being allowed to fail instead of having your way paved for you is empowering. The American Dream is not lived on Easy Street. It takes grit and the discipline to put the work in day after day to realize the American Dream. Employers must adapt to the current work environment or risk having to close the shop.

For 2022, we sent out almost four times more W–2s than the number of employees we currently have on staff. Finding ways to be more flexible with employee work schedules is key. From my time in the Army, I learned that in order to have the best team you have to have high standards, but also take care of them. It is about respecting other people and their property. And the fact is, people do not care what you know until they know that you care.

The second area to cover is inflation. We see firsthand how out of control costs have gotten in the last several years. Equipment costs have doubled. If you were to construct our building today, it would cost at least twice as much. And for supplies we face both rising freight cost and parts on back order being commonplace.

Every week we see the purchasing power of our dollar continue to decline. When it comes to cash flow we are experiencing delayed payment from customers, sometimes up to 60 days. And for a small business that operates on cash, it restricts our ability to meet our obligations on time.

Interest rates are high even if you have excellent credit. The beef industry as a whole is in a tough spot. There is not much profitability for a rancher because the cost of fertilizer and feed is too high. We have seen smaller and smaller, less fed-out cattle come through our facility than when we first opened 18 months ago.

My brother-in-law is a fifth generation rancher who supplies all of our beef that we retail on wholesale. And we provide farm-to-table beef locally raised, locally processed, and we see the impact of higher costs. I am proud to be an American and would like to emphasize the importance of creating value in American-made products. This will continue to create more pride in the work that we do so that more hardworking people come to work for the American Dream. At some point, it seems like we have lost our way. We need to have pride in the products that come from our country.

And in conclusion, as a nation we face many challenges, but there is nothing that we cannot overcome by working together. Just as my grandparents did following the Great Depression, the hard times we are in now will create a stronger nation for our kids. I am encouraged by your willingness to listen and effect change.

Thank you for your consideration of my testimony and for your service to our great Nation.

[The statement of Mr. Jackson follows:]

Bryan Jackson, Owner, Route 66 Meat Processing

Statement for Hearing on the State of the American Economy

House Committee on Ways and Means

Yukon, Oklahoma

07 March 2023

Chairman Smith, Ranking Member Neal, distinguished members of the committee, thank you for the opportunity to submit this written statement for your consideration. It's an honor for me to have the opportunity to share my thoughts with you on the state of the American economy.

We own and operate a meat processing facility that is USDA inspected in Western Oklahoma. Most processing plants are custom, where inspection is unnecessary because the meat is only processed for the owner of the animal the meat is labeled "NOT FOR SALE". Business that operate under this exemption are inspected less frequently than operations under continuous inspection.

We are one of only a handful of processing plants in the state with the licensing to harvest and process meat that can be sold or distributed anywhere in the county in any country when it leaves our facility. We are essentially viewed by USDA as being on-par with the large packers, albeit at a much smaller scale.

The first area I'd like to cover is **Labor**. We have been in business for almost two years. Since we started initial construction during the COVID pandemic in 2020, we struggled not only to find contract labor for the various parts of construction, but also full-time employees.

Today we are facing an increasingly-challenging work environment where employees may or may not show up to work. As a result, our ability to complete the work we commit to as a service company is made more difficult. Gone are the days where you could just fire an employee for substandard performance. Today, we find ourselves counseling and coaxing workers into just showing up to work.

Mental health issues are a major concern, much of it stemming from an onslaught of constant exposure and reliance on social media has removed the grit from our work culture. The resulting work ethic has slowly diminished over the last twenty years.

There is a famous quote by Michael Hopf:

HARD TIMES create strong people

STRONG PEOPLE create good times

GOOD TIMES create weak people

WEAK PEOPLE create hard times

People used to be thankful for a job. I for one have been humbled on more than one occasion by corporate layoffs, and then later experiencing the real challenges of starting a business. To be as resilient as the generations before us we need to toughen up and get to work. Employers must adapt to the current work environment or risk having to closeup shop. Last year we sent out almost four times more W-2's than the number of employees we currently have on staff.

We must find new ways to incentive folks to show up to work. The model our business has had since the beginning has been not just to retain the best employees, but help them grow – physically, mentally and emotionally. Our business in inherently very labor intensive. One person described it well as essentially being a disassembly plant.

It's not enough anymore to just provide a paycheck. Finding ways to be more flexible with employee work schedules and assist in them having the ability to maintain a work-life balance is key. To have the best employees you have to have high standards but also take care of them. People do not care what you know until they know that you care. We as a nation must care for our people while holding each other to high standards.

The second area to cover is **Inflation**. We see firsthand how out of control costs have gotten in the last several years. We service quite a few SNAP/EBT customers, and they are being faced with a difficult decision of how to manage what they have as their purchasing power continues to decline.

The beef industry as a whole is in a tough spot. There is not much profitability for a rancher because the cost of fertilizer and feed is too high. My brother-in-law is a 5th generation rancher who supplies much of our beef that we retail and wholesale, so we are in a unique spot not only to provide locally raised, locally processed meat, but we also realize the impact of higher beef costs.

There are several things we can do to compete with the lower quality, imported beef. If we made it a requirement to include "Country of Origin" on the meat, it would raise consumer awareness on what people are buying.

Investing in increased automation bring down costs for processors by increasing capacity with better trained, more technically-minded employees. As a small meat processor we do more of the labor by hand, whereas large packers have the scalability of assembly lines to maintain a monopoly on output. We would be more profitable if we could process at a lower cost.

In conclusion, we face many challenges as a nation but nothing that we cannot overcome by working together. Thank you all for your consideration of my statement and for your service to our Great Nation.

Respectfully,

Bryan Jackson

Chairman SMITH. Thank you, Mr. Jackson.

Mr. Mills, you are now recognized.

STATEMENT OF CHUCK MILLS, OWNER AND PRESIDENT, MILLS MACHINE COMPANY INC., YUKON, OKLAHOMA

Mr. MILLS. Good morning, Chairman Smith, Ranking Member Neal, and distinguished members of the committee. It is an honor to testify before you today. My name is Chuck Mills. I am president of Mills Machine Company, custom manufacturer of shallow infrastructure, Earth-drilling tools and bits located in Shawnee.

We were established in 1908 and still operate under the same family ownership. I personally have been managing the business for 44 years and have guided it through multiple booms, busts, and recessions. The last 3 years have been the most difficult.

Before the pandemic, we faced some workforce issues. Our company, like so many others, struggled to find skilled workers. Initially, I believe that education was one of the issues and felt that one solution would be engaging private sector business people into the classroom to promote applied learning practices that would be beneficial to the students. I promoted that while I was the chairman of the State chamber to try to get other businesses engaged to do the same.

As you can tell, I like to be involved in finding solutions for common business problems, which is why I have been involved in workforce development for 22 years serving on local and State workforce boards, so I have a good idea of what the problems are.

Locally, I served as the mayor of Shawnee from 2004 to 2008. Though we struggled before to find workers before COVID, the pandemic made this struggle so much harder on my company and employers across Oklahoma. It was hard for me and other business owners to understand how the Federal government could incentivize Americans to stay home.

A perfect example of our problem with our supply chain is if my supplier is unable to find employees, he is unable to provide me the raw materials needed for my business, which negatively impacts our ability to satisfy our customers' needs. This caused delays throughout the supply chain. The lack of workforce, in my opinion, is the root cause of all of our problems today.

To help alleviate the supply chain concerns for my company, I had to hire a full-time employee just to source materials. This staff member spends all day sourcing best materials and availability. We are constantly looking for new vendors so that we can remain competitive for our customers.

We have successfully sourced about 40 to 50 new vendors in the last year. When we do find materials we must outlay more cash upfront to buy as much product as we can in order to lock in the price. The lack of workforce and supply chain issues combined with inflationary pressures have made this economy the most difficult economy I have dealt with in over 4 decades.

Prior to the pandemic, we had a predictable price increase from 3 to 3.5 percent a year. In 2021, starting really in January, we were hammered with compounding price increases for our raw materials. Really starting in January of 2021, we first had our increase of 25 percent. The following month we had another 15, the following 20, and it went from 10 to 25 percent for the next 8 months compounding monthly.

After 8 months, my vendors finally said, I can't send you a price list anymore. You will have to call in order to get the price, which makes it very difficult to price your products to your customers. The practice continued through all of 2022, and now in 2023 the prices have stabilized somewhat but have increased on others. Due to these price increases, we are forced to reprice our materials every 90 days. We offer thousands of products, so this is a significant undertaking.

We also have been forced to import materials in order to be competitive. I have explored options for on-shoring and near-shoring in response to the tariffs on Chinese metal products, and it hasn't been competitive. The tariffs simply add 25 percent to the cost of our raw materials making it harder to be competitive in the world economy. Overall, our sales are similar to pre-COVID levels, but it is not because we are selling more product. We are actually selling less at higher prices.

I am having to spend more and more time on day-to-day operations like workforce issues and adjusting prices, which has resulted in less time for marketing, new product development and business expansion, which will be better for our business, the local economy, and the country.

I love what I do. I love making things and offering solutions for our customers. All I ask is for Congress to please allow me to continue running my family owned business so that I may be able to pass it to the next generation. Please encourage all able-bodied Americans to return to the workforce, and do not raise taxes that would further restrict our cash flow. I will close by asking to not make it any harder for me to stay in business here in Oklahoma. Thank you.

[The statement of Mr. Mills follows:]

Good morning, Chairman Smith, Ranking Member Neal, and distinguished Members of the House Ways and Means Committee.

My name is Chuck Mills, and I am President of Mills Machine Company, Inc. located in Shawnee, Oklahoma. It is an honor to testify before you today.

We were established in 1908 and still operate under the same family ownership. Mills Machine Company is a custom manufacturer of shallow infrastructure earth drilling tools, bits, and related accessories for the water well, environmental, construction, geothermal, and blast hole mining industries. We provide custom solutions for drilling problems worldwide.

It's estimated that only one-half of one percent of U.S. companies have survived 100 years. And among the millions of U.S. family-owned businesses, less than 1,200 are now 100 years old and still under the same family ownership and operation. Mills Machine Company is one of these companies. I have been managing this business for 44 years and have guided it through multiple oil booms, busts, and recessions, but the last three years have been the most difficult.

Before the pandemic, Mills Machine Company faced some workforce issues. Our company, like so many others, struggled to find skilled workers. Initially, I believed that education was an issue. I felt that engaging private sector business people into the classroom to promote applied learning practices would be beneficial to the students. The goal was to visit local classrooms and explain how their academic lessons related to the real world and how students could use today's education in their future professions. I encouraged other business owners to do the same while I served as chairman of the State Chamber of Oklahoma.

As you can likely tell, I like to be involved in finding solutions for common business problems. Because of this enthusiasm, I served as Co-Chair of the OK Workforce Youth Council and the on Executive Committee of the Governor's Council for Workforce and Economic Development. Locally, I served as the Mayor of Shawnee from 2004 to 2008.

Though we struggled before to find workers before COVID, the pandemic made this struggle so much harder on my company and employers across Oklahoma. It was hard for me, and other business owners, to understand how the federal government incentivized Americans to stay home. The lack of workforce helped to fuel the supply chain crisis. If my supplier is unable to find employees, he is unable to provide me the raw materials needed for my business, which negatively impairs our ability to satisfy our customers' needs. This caused delays throughout the supply chain. The lack of workforce is the root cause of all our problems today.

To help alleviate supply chain concerns for my company, I hired a full-time employee just to source materials. This staff member spends all day sourcing best material prices and availability. We are constantly looking for new vendors so that we can remain competitive for our customers. We have successfully sourced 40 to 50 new vendors in the last year. When we can find materials, we must outlay more cash up front to buy as much product as we can in order to lock in the price. We are so desperate to have available material in stock, that much of it must be stored onsite. This additional inventory hurts our cashflow.

The lack of workforce and supply chain issues, combined with inflationary pressures, have made this economy the most difficult economy I have dealt with in over four decades. Prior to the pandemic, we had predictable price increases, 3% to 3.5% per year. In 2021, we were hammered with compounding price increases for our raw materials. In January 2021, our raw materials increased by 25%. The following month, the prices increased again by 15%, and the next month, the prices soared again by 20%. These substantial price increases of 10% - 25% continued for eight months. At that point, our suppliers told us just to call to get the current prices. That practice continued through 2022. Now in 2023, the prices seemed to have stabilized for now on some products but are still increasing on others.

Due to these price increases, we are forced to re-price our materials every 90 days, which is much more frequently than in the past. We should probably do it more often, but it is such a large task we have settled out at 90 days. We offer thousands of products, so this is a significant undertaking. I am, however, committed to providing any relief I receive from suppliers to my customers. Should I ever be able to negotiate a lower price for materials, I pass those savings along to my customers to promote goodwill.

We also have been forced to import materials in order to be competitive. When President Trump announced tariffs on Chinese metal products, I was excited about the prospects of onshoring production from U.S. steel mills. Unfortunately, that hasn't been the case. I explored options for onshoring and near shoring and it just hasn't been competitive. The tariffs simply added 25% to the cost of raw materials making it harder to be competitive in the world economy.

Overall, our annual sales are similar to pre-COVID levels, but it's not because we are selling more products, we're actually selling less but our prices are higher. I personally am putting in longer hours at work and even taking work home at night because I'm having to spend more time on day-to-day operations like workforce issues and adjusting pricing resulting in less time for marketing, new product development and business expansion, which would be better for our business, the local economy, and the country. We continue to have less cashflow because we are buying and storing more materials at higher costs and because of high tariffs. That limited cashflow also impacts our ability to buy additional equipment and hire more employees.

Chairman Smith and Members of this Committee, I love what I do. I love making things and offering solutions for our customers. All I ask is for Congress to please allow me to continue running this family-owned business so that I am able to pass it to the next generation. Respectfully, please encourage able-bodied Americans to return to the workforce. Please do not raise tax rates that would further restrict our cashflow. Please do not make it any harder for me to stay in business here in Oklahoma.

Chairman SMITH. Thank you, Mr. Mills.
Ms. Payne, you are now recognized.

STATEMENT OF KELLI PAYNE, FORMER PRESIDENT, OKLAHOMA NATIONAL STOCKYARDS

Ms. PAYNE. Chairman Smith and members of the Ways and Means Committee, I want to thank you for the opportunity to appear today. My name is Kelli Payne. I am a fifth-generation farmer and rancher from Mustang, Oklahoma, and I have had the opportunity to serve on the district staff for former Congressman Wes Watkins. I have been a small business owner, worked for a number of cattle livestock auctions and cattle buying companies, and even ran for Oklahoma City council.

I have also held a variety of economic development positions with an emphasis on agriculture, including previously serving as the first-ever female president of the Oklahoma National Stockyards. I am currently serving as North Central District Vice President for the Oklahoma Cattlemen's Association, and was recently appointed as chair of the Oklahoma Cattlemen's Foundation. I am also a proud Oklahoma Farm Bureau member. While my primary agriculture operation is cattle ranching, I also have a family agritourism venture with my sister.

I would like to begin by sharing some very staggering numbers relative to the drought. The USDA January 1 inventory of all cattle and calves in Oklahoma was down 11.5 percent from 2022. That is a decrease in 600,000 head in 1 year. It is double that of Nebraska, the State with the second largest decrease in cattle. It is important to remember that this number reflects all cattle, including the cow herd, replacement heifers, stockers, and feedlot cattle. The decrease in the number of cows in Oklahoma alone was 140,000 head, again, the largest decrease of any State in the Nation.

While these numbers alone are staggering, when one begins to think of the negative implications the situation absolutely becomes overwhelming. Oklahoma is a beef cow State. Much of our rural economy is dependent upon the cow. Every year ranchers wean and sell their calves, which represents the heart of the economic engine in rural Oklahoma. With fewer calves to sell, that means fewer dollars generated. But worse, not only are there fewer calves, there are also fewer cattlemen and women.

The struggles of drought are exacerbated by high input cost including fuel, feed, and other supplies. All these negative impacts have caused some ranchers to sell their entire herd, and many have indicated that they won't restock anytime soon, if at all. Fewer cows also means that fewer bulls are needed. Seed stock operations, like our host today, Express Ranches, depend upon a robust bull market driven by cow calf producers with plenty of cows.

Currently, the cattle market is strong. For the last week of February, 600-pound calves selling at the Oklahoma National Stockyards were bringing $200 to $215 per hundred weight. This makes sense though given a drastic reduction in the cattle supply. But high prices of something that I don't have many of, or any of, doesn't help me economically. Remember, we have 140,000 less cows. That means 140,000 less calves to sell.

Federal government involvement in livestock production does have a positive side. The farm bill of 2018 signaled a major turning point for animal agriculture in the U.S. That important piece of legislation enshrined permanently many of the programs that have directly benefited livestock producers, specifically in times of hardship. Examples include the Livestock Indemnity Program, the Emergency Livestock Assistance Program, Emergency Relief Program, and the Livestock Forage Disaster Program, just to name a few.

The total disaster payments for program year 2022 in these categories alone in Oklahoma are $4.6 million and rising. Let me be very clear, these programs are vital and important to livestock producers, and they must be continued in the 2023 farm bill.

The negative side of the story deals with the overreaching regulatory agenda that proposes new and debilitating burdens that will undercut our livestock business. Examples include the EPA's new waters of the U.S., or WOTUS, rule issued just a couple of months ago.

While EPA did recognize ponds and watering holes, the new rule goes backward to regulate ditches and draws that seldom see water and certainly not in times of drought. The new WOTUS rule ignores the great work that animal agriculture has done to preserve and promote a positive impact on our environment. Modern poultry, swine, and cattle operations have adopted so many new and emerging technologies that have provided substantial benefits in decreasing water usage and positively managing manure as fertilizer.

Here in Oklahoma, the Endangered Species Act has been employed by administration's U.S. Fish and Wildlife Service to the detriment of cattle grazers in western Oklahoma. Recently, the service issued a threatened and endangered listing for the Lesser Prairie Chicken requiring ranchers to seek an approved grazing permit—excuse me, plan for their own ranches. Once again, the great work ranchers have done to improve and maintain wildlife habitat was ignored, and the service provided no direction about who can approve a proposed grazing plan.

Many producers, including myself, began diversifying our operations about a decade ago when we went through our last drought. By certifying a portion of our own farm in agritourism, investing in greenhouses and partnering with other fruit and vegetable growers, we were able to have an additional revenue stream. We also began hosting two festivals to educate our urban friends on where their food comes from.

While this has been incredibly rewarding to us, regretfully we have had to cancel the last two events due to drought in the current economic State, further reducing our family income, as well as cutting off a source of fresh food to our customers. We have enough challenges with mother nature. Let's not compound the problem with more regulations.

I look forward to any questions you may have. Thank you again for allowing me to share my perspective on the state of the American economy in the heartland.

[The statement of Ms. Payne follows:]

Testimony Before the House Committee on Ways and Means
March 7, 2023
"The State of the American Economy: The Heartland"

Chairman Smith, and Members of the Ways and Means Committee, I want to thank you for the opportunity to appear today.

My name is Kelli Payne. I am a fifth-generation farmer and rancher from Mustang, Oklahoma, and I have had the opportunity to serve on the district staff for former Congressman Wes Watkins, been a small business owner, worked for a number of cattle livestock auctions and cattle buying companies, and even ran for Oklahoma City Council. I have also held a variety of economic development positions with an emphasis on agriculture, including previously serving as the first-ever female President of the Oklahoma National Stockyards. I am currently serving as North Central District Vice President for the Oklahoma Cattlemen's Association and was recently appointed as Chairperson of the Oklahoma Cattlemen's Foundation. I am also a proud member of the Oklahoma Farm Bureau. While my primary agriculture operation is cattle ranching, I have a family agritourism venture with my sister in Mustang.

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Fewer cows also means that fewer bulls are needed. Seedstock cattle operations like our host today, Express Ranches, depend upon a robust bull market driven by cow/calf producers with plenty of cows.

Currently, the cattle market is strong. For the last week of February, 600 pound calves selling at the Oklahoma National Stockyards were bringing $200 - $215 per hundred weight. This makes sense though given a drastic reduction in cattle supply. But high prices of something that I don't have many of, *or any of,* doesn't help me economically. Remember, we have 140,000 head less cows that means at least 140,000 head less calves to sell!

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Many producers, including myself, began diversifying our operations about a decade ago, when we went through our last drought. By certifying a portion of our farm as agritourism, investing in greenhouses, and partnering with other fruit and vegetable growers, we were able to have an additional revenue stream. We also began hosting two agricultural festivals to educate our urban friends on where their food comes from. While this has been incredibly rewarding to us, regretfully, we have had to cancel the last two events due to drought and the current economic state, further reducing our family income as well as cutting off a source of fresh foods to our customers.

We have enough challenges with Mother Nature; let's not compound the problem with more regulations.

I look forward to any questions you may have. Thank you again for allowing me to share my perspective on the State of the American Economy in The Heartland.

Chairman SMITH. Thank you, Ms. Payne.
Mr. Brevetti, you are recognized.

STATEMENT OF JOE BREVETTI, MANAGING MEMBER, CHARTER OAK PRODUCTION CO.

Mr. BREVETTI. Chairman Smith, Ranking Member Neal, distinguished members of the committee, thank you for this opportunity.

Congressman Hern, thank you for your leadership. It is an honor to testify before you today on behalf of Charter Oak Production the Petroleum Alliance of Oklahoma.

I am Joe Brevetti, the managing member of Charter Oak Production, and we are a small, private oil and gas company here in Oklahoma City with nine employees. Since founding the company in 2004, our primary focus has been in the oil-rich areas of central to southern Oklahoma.

I began my career in the industry as an engineer working in the field in South Texas. I am a board member of the Petroleum Alliance of Oklahoma, which represents 1,400 individual and member companies. I am also honored to have been appointed a board member of the producer funded Oklahoma Energy Resources Board, which restores historic well sites and provides classroom resources for educators from elementary through the college level.

Charter Oak is one of 4,000 oil and natural gas companies working in Oklahoma. To put it in perspective, together we make up more than half of the State's private sector GDP growth. We are the State's largest taxpayer accounting for about one-third or $65 billion of Oklahoma's GDP, and generating $2.5 billion in tax payments to the State.

The oil and gas industry provides employment for 200,000 Oklahomans, 75,000 in direct jobs, and another 125,000 in supporting sectors. Each year, Oklahoma oil and gas producers pay more than $2 billion in royalties to mineral owners. These mineral owners are everyday people who use this money to buy groceries, they support their family farms and ranches, and just help pay their daily living expenses.

In the past year, Charter Oak and its dedicated team of service companies who employ hundreds of people in the field drilled and completed ten wells to help meet the energy needs of American families. During that same year, we have seen the cost of our wells increase from less than $8 million each to over $10 million each, a 30 percent increase, and that is considerably more than what we are told the inflation rate is by the current administration.

Companies like Charter Oak have made the U.S. not just a world leader today in oil and natural gas production, but we are also the world leader in greenhouse gas reductions, thanks to natural gas-powered electric generation. There is no company—there is no other country in this world that produces hydrocarbons in a manner as clean and as safe as we do here. Importing foreign oil production or encouraging the same is contrary to American principles, and it threatens our energy security as a nation.

My written testimony provides color on many regulatory hurdles that we are dealing with today and the challenges we are expecting later this year. The EPA's proposed one-size-fits-all rules for methane and waste prevention is a killer for small family owned companies whose marginally economic wells are very important to America's energy portfolio.

The administration's permitting reforms for operations on Federal lands are unnecessarily complex, costly, and delay oil and gas projects far beyond what is reasonable. A current example is, last week we were informed that it would take the BLM Cadastral Office in Santa Fe between 2 to 3 years to review our river survey just so we could get to the point to nominate acreage into a Federal lease sale. By the way, we have already drilled this well, it has been delayed so long. We have altered the tract of this well so we didn't have to traverse Federal minerals, but they are still within our unit.

On the tax front, I ask the committee to protect the ability of oil and gas companies of every size to deduct their ordinary and necessary business expenses. These intangible drilling costs, which are expenses like fuel, labor, and trucking, frequently make up 85 percent of the cost of the new well.

The recent book minimum tax unfairly penalizes some of the larger independence from deducting such expenses. For a smaller independence, the punitive nature of the alternative minimum tax in the current Tax Code limits our deductibility of the IDC. We drill out of our cash flow, and the AMT severely restricts our ability to invest in new drilling.

So let me conclude, we don't want special treatment; we just want a level playing field to encourage investment. Burdensome regulations, increased taxes on oil and natural gas hamper production and the ability of companies like ours to work. Unchecked inflation has hit all Americans very hard, including the independent oil and gas producer.

Please address this by slowing Federal spending growth, balancing the Federal budget as all of us do with our personal and business budgets. And let's stop going down the same anti-hydrocarbon road that is wreaking havoc in Europe. That is our wakeup call, America. We don't want an America like that. We don't need more energy—I mean, America needs more energy not less. More energy for America equates to more prosperity for all Americans, and America-produced energy is translated to improve American national security.

Thank you for your time, and I am happy to address my questions.

[The statement of Mr. Brevetti follows:]

WRITTEN TESTIMONY OF
JOSEPH C. BREVETTI
MANAGING MEMBER OF CHARTER OAK PRODUCTION CO., LLC, AND BOARD OF DIRECTORS MEMBER OF THE PETROLEUM ALLIANCE OF OKLAHOMA

BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS FIELD HEARING ON "THE STATE OF THE AMERICAN ECONOMY: THE HEARTLAND"

MARCH 7, 2023

Good morning, Chairman Smith, and distinguished members of the Committee. It is an honor to have the opportunity to testify before you today on behalf of Charter Oak Production and The Petroleum Alliance of Oklahoma.

My name is Joe Brevetti. I am the Managing Member of Oklahoma City-based Charter Oak Production Co., LLC. Since founding the company in 2004, I have focused Charter Oak's efforts on the drilling and development of oil and natural gas reservoirs in Oklahoma and Texas. In recent years, my company's primary focus has been the oil-rich areas of central and southern Oklahoma. I began my career in the oil and gas industry working as a field engineer in the mid-70s in south Texas.

Charter Oak is a privately held oil and natural gas producer with nine full-time employees. In 2022 we drilled and completed 10 wells in Oklahoma, putting our company in the top 20 most active drillers in the state that year. Eight of those 10 wells were "extended laterals", i.e., the completion interval was two miles or longer. Four of those wells had laterals that were 3 miles in length. While Charter Oak is a "small company" like most Oklahoma oil and natural gas producers, our impact on the state is large. A 2019 study by IHS Markit found that every $1 million in capital expenditure by an upstream oil and natural gas company like mine creates seven direct jobs, 27 indirect jobs, $820,000 in total tax revenue and boosts U.S. GDP by $4.6 million. This benefit to the state's economy is further amplified by additional midstream and downstream sector investment.

I am also a member of the Board of Directors of The Petroleum Alliance of Oklahoma. The Alliance represents more than 1,400 individuals and member companies and their tens of thousands of employees in the upstream, midstream, and downstream sectors and ventures ranging from small, family-owned businesses to large, publicly traded corporations. Petroleum Alliance members produce, transport, process and refine the bulk of Oklahoma's crude oil and natural gas.

The oil and natural gas industry is Oklahoma's defining industry. In 2022, the industry accounted for $64.9 billion, or 27%, in state gross domestic product, generated $2.5 billion in tax payments to the state, and accounted for $1 out of every $6 of total statewide household income.[1]

The oil and natural gas industry takes great pride in the role we play to both drive our state economy and to provide our nation with American-made energy. However, efforts by the Biden administration to slow oil and natural gas development threaten our ability to do both, putting the communities and families that rely on a robust oil and natural gas industry for survival in jeopardy.

Impacts of Inflation and Worker Shortages

Increased costs for goods and services, difficulty in finding workers, and a strained supply chain have significantly impacted the oil and natural gas industry and companies like mine just as they have other industries.

The shortages of available materials in the supply chain include items from steel casing to transformers used by the local utilities to electrify our well sites. We recently had to run two diesel generators for over a month on a well pad despite us having placed and paid for our power connection 6 months previous. This delay in the connection to the electric grid was due to the availability of power transformers. The result was an unnecessary expense and created additional emissions.

Due to excessive inflation, Charter Oak's average drilling and completion cost for a typical well has increased from approximately $7.8MM to $10.2MM over the past 12 months. This 30% increase in costs has come at a time when oil and natural gas prices at the wellhead have significantly declined. This has resulted in an additional financial burden on my company and on all oil and gas producers.

A lack of workers is one reason that U.S. oil production is unlikely to grow much faster than it did last year, despite higher prices and strong demand for petroleum products. A report released on Feb. 3 by the U.S. Department of Labor showed the unemployment rate in the category defined as "mining, quarrying, and oil and gas extraction" is now just 0.3%, versus 8.4% a year ago. Only 2,000 people were looking for work in the industry in January, versus 46,000 last year.

We are part owner of a company that provides services to the oilfield. These services include wellsite construction, trucking, welding, and some specialty services such as crane rental. This company has about 22 employees. We currently have open positions for four roustabouts who earn $18/hr, two transport drivers who earn $22/hr, and two crane operator positions that pay $32-35/hr. All of these workers will also earn overtime. It is not uncommon for a driver or crane operator to earn over $100,000 in a given year. Applicants for these positions are very few.

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[1] RegionTrack: *Oklahoma Oil and Gas Outlook Update*, Jan. 23, 2023

There is a need for training programs to address the growing demand for these positions and other skilled workers such as welders and electricians.

Intangible Drilling Costs and Percentage Depletion

The expensing of intangible drilling costs and the percentage depletion allowance, two long-standing tax provisions that have been used by the oil and natural gas industry for the better part of a century, have long been in the crosshairs for Democratic budget makers.

The standard intangible drilling cost (IDC) tax deduction, which allows the expensing of ordinary and necessary business expenses and has been an integral part of the tax code in one form or another for 100 years, allows producers to recover costs quickly and reinvest funds to explore for, and produce, new American oil and natural gas supplies to power our nation. The book minimum tax created by the Inflation Reduction Act could remove it.

Prohibiting the oil and gas industry from deducting ordinary and necessary business expenses like labor, fuel, services, and supplies would be a new 25% tax hike on oil and natural gas companies. Instead of those dollars being available to put men and women in Oklahoma to work, they would disappear inside the Washington, D.C., beltway.

IDCs are not significantly different from tax provisions used by other industries and eliminating the deduction would dramatically change the business model of nearly every oil and natural gas producer in the nation. Such a reduction of companies' cash flow and capital budgets would hinder the ability to drill new wells and drive up energy prices for consumers.

Percentage depletion is an alternative to cost depletion for tax purposes and is like depreciation for a non-mineral asset. Used only by the smallest, family-owned oil and gas businesses, operators of marginally producing oil and natural gas wells would lose a significant economic incentive to continue operating those wells, forcing the premature plugging and abandonment of wells and curtailing future energy production from them.

If percentage depletion were eliminated, Oklahoma would be second only to Texas in harm done over the next 15 years with 5,170 jobs shed each year, $29 million in state revenue lost each year, $71 million in foregone Oklahoma royalty payments each year, and the loss of 37,305 barrels of oil per day.

Regulatory Uncertainties, Burdens, and Costs

I am concerned that Federal agencies are placing more and more regulatory burdens on my industry with little regard to the impacts on small businesses. The following are just two proposed rules that highlight some of the regulatory burdens and uncertainties that federal agencies have proposed that will have significant financial impacts on my operations.

1. EPA's Proposed Methane Rule

First, EPA's Proposed Methane Rule provides stringent, "one-size-fits-all" regulations for new and existing oil and gas wells. Essentially, EPA is placing the same requirements on facilities that produce thousands of barrels of oil per day in the same category as a marginal well that produces 1.4 barrels of oil per day (Bpd) while claiming the requirements are cost-effective for these lower-producing, marginal wells.[2]

The Proposed Rule contains a super-emitter response program where I would be required to investigate and take actions upon receiving a notice from an "approved" third-party of detected emissions that are 100 kilogram per hour of methane or greater. Basically, I would be responding to a third party, not the state regulatory agency and/or EPA.

EPA proposes fugitive emission monitoring for the life of my wells with no opportunities to reduce or cease monitoring even if I'm not detecting any emissions. I would then be required to keep detailed records and report semiannual and annual fugitive emissions. EPA is also requiring me to submit a well closure plan and provide notification on closure activities which unnecessarily duplicates state requirements.

Pneumatic pumps and controllers used at my sites are required to have zero emissions. I will be required to replace or retrofit equipment at all my existing well locations. Existing facilities that don't have onsite power will require the installation of generators to power either electric-driven or air-driven devices that will drive up emissions – opposite the goal of emission reductions.

I will no longer be able to send associated gas from my oil wells to a flare or other combustion device unless I conduct a detailed analysis and demonstrate that the specified options are infeasible due to technical or safety reasons. I would then be required to report changes at the site and whether those changes impacted the infeasibility analysis. If the change did not impact this infeasibility analysis, a revised demonstration and certification would still be required.

If I'm able to use a flare, the requirements are onerous. However, EPA's requirements may not be technically feasible for older wells and facilities with low or intermittent vapor flow to a flare or combustor, as there is often not enough gas produced by the well to keep a pilot continuously lit or to produce enough tip velocity to meet the flow rate requirements and promote the mixing of gas and air necessary to achieve 95% destruction efficiency in a flare.

Covers and closed vent system requirements are basically a zero-emission standard. This is not technically feasible or realistic for equipment located outside, subject to harsh

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[2] In Oklahoma, there are approximately 28,000 marginal oil wells (with an average production of 1.43 Bpd) and approximately 45,000 marginal gas wells (with an average 18 thousand cubic feet per day [Mcfpd]); however, they contribute approximately 9.5% and 12%, respectively, to Oklahoma's total production. IOGCC, Marginal Wells: Fuel for Economic Growth, 2016.

conditions and undergoing continuous wear and tear of operations. For example, there is the potential for foreign objects e.g., dirt or ice that may interfere with the sealing surfaces of tank hatches.

2. BLM's Waste Prevention Rule

I also drill wells on Federal leases. BLM proposed its Waste Prevention Rule (WPR) that includes air emission requirements that are similar but slightly different as compared to EPA's Methane Rule. BLM's WPR removes long-standing economic feasibility analysis (except for vapor recovery units ("VRUs") on storage tanks) that allows me to account for the diverse nature of my oil and gas production operations that I've relied upon when I obtained the lease.

BLM's rule, similar to EPA's rule, generally treats new and existing wells the same. BLM does not account for the additional time it may take smaller operators of existing wells, especially volume, marginally economic wells, to plan and budget for new requirements, obtain and install new equipment or retrofit equipment, obtain and implement new electronic recordkeeping and reporting systems, and train employees on the collection of new reporting and recordkeeping requirements. BLM doesn't appear to consider the ongoing supply chain issues that are still occurring in our industry.

BLM requires me to develop and submit a detailed Waste Minimization Plan (WMP) with my Applications for Permits to Drill (APD). BLM may deny or delay my APD if I fail to submit an "adequate" WMP; however, BLM doesn't define what is "adequate." In addition, they may add requirements to my APD.

BLM states that a flare that is not lit may be subject to an immediate assessment of $1,000 per violation without obtaining any details from me as to why it's not lit. There may be systems in place that do not have a pilot flame and instead have an automatic ignition system that sparks when gas is present or situations where a well is shut in and the pilot flame is not lit.

BLM is requiring me to use an optical gas imaging technology (cameras can cost $100K) to detect fugitive emissions or hire a consultant. This is excessive. The goal is to find and fix leaks, so an audio, visual, and olfactory inspection should be allowed, especially for low producing, marginal wells.

BLM states that oil-well gas may be flared due to pipeline capacity constraints, midstream processing failures, or other similar events up to 1,050 thousand cubic feet ("Mcf") per month, per lease, unit, or CA. However, BLM's 1,050 Mcf per month threshold is 35 Mcf per day, well below the definition of a low-volume, marginally economic well[3]. Any flaring over that threshold would trigger royalty payments.

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[3] IOGCC, Marginal Wells: Fuel for Economic Growth, 2016.

An operator of a lease, producing at least 120 Mcf of gas or 20 barrels of oil per month would be prohibited from using natural-gas-activated pneumatic controllers or pneumatic diaphragm pumps with a bleed rate that exceeds 6 standard cubic feet per hour, effective one year from the effective date of the final rule. It is unlikely there will be adequate equipment available to meet this deadline. Again, the 120 mcf of gas per month or 20 barrels of oil per month equates to approximately 4 mcf per day or 0.7 barrels of oil per day, which is extremely low and well below what is considered a marginal well. This will require me to retrofit or replace all my pneumatic controllers and pumps.

BLM states that if they find a thief hatch that has been left open and unattended, the BLM will impose an immediate assessment of $1,000 on the operator without contacting the operator to determine if there are legitimate reasons (e.g., such as a shut in well) why the hatch is open. If vapor recovery units are not installed on tanks, BLM is requiring me to conduct costly and rigorous compositional sampling analysis of the production flowing to the storage vessels and submit that information annually, even if there have been no changes in the production stream.

BLM is requiring me to develop and submit a leak detection and repair plan, conduct inspections and repairs, and submit an inspection and repair information. Again, this overlaps with EPA's Methane Rule. However, BLM's repair time frames do not align with EPA's repair timeframes.

Overall, these two proposed rules create significant burdens, costs, and uncertainties on my daily operations.

Permitting Delays

I would like to share a current situation regarding one of our recently drilled horizontal wells.

While in the process of leasing what were believed to be private minerals in a section that is adjacent to the South Canadian River in McClain County, Okla., it was determined by a river survey that a portion of the north section of this two-mile horizontal now contained federal minerals due to river movement. These minerals are managed by the BLM. A river survey was conducted to confirm the current size and location of the BLM minerals in this section.

Our federal leasing consultant informed us that we cannot traverse the federal minerals even though our pad site is two miles away on private land. To do so would require an APD with the associated archeological, environmental, and biological studies resulting in a several-month delay. We altered the path of the lateral to the northeast of the federal minerals to avoid this delay. This action will affect future development locations likely resulting in decreased ultimate recovery from this section.

We still must obtain a lease from the BLM. We were informed by our consultant that it would be two to three years before the BLM Cadastral Office in Santa Fe could review the river survey. The leasing process would be an additional 6-8 months after that time. These time delays are inexcusable and costly to all parties. Certainly, this system can be streamlined.

In closing, I would like to remind the Committee that as it explores the state of the American economy and the well-being of working families, in Oklahoma, working families work in the oilfield. Burdensome regulations and increased taxes on oil and natural gas production hamper the ability of companies like mine to put more Oklahomans to work and bring more oil and natural gas to market for families across the country.

Chairman SMITH. Thank you, Mr. Brevetti.
Ms. Kantz, you are now recognized.

STATEMENT OF SHILOH KANTZ, EXECUTIVE DIRECTOR, OKLAHOMA POLICY INSTITUTE

Ms. KANTZ. Thank you, Chairman Smith and Ranking Member Neal and members of the Ways and Means Committee. I am very honored and thank you for the opportunity to submit testimony on the topic in what ways can the Federal government make the economy work for Oklahomans.

My name is Shiloh Kantz, and I am the executive director of Oklahoma Policy Institute, or OK Policy as we are informally known. We are a nonprofit, nonpartisan public policy think tank.

While COVID–19 laid bare economic vulnerability in Oklahoma, these problems were not new. Oklahoma's poverty rate is consistently among the highest. Even pre-pandemic, one in seven Oklahomans, including one in five children, lived in poverty. In 2018, one in four Oklahoma jobs were in occupations with a medium wage below the poverty line for a family of four.

Our poverty rates have barely budged over the last decade. Federal actions during the pandemic made a real difference. It is a shame those interventions were not made permanent. 460,000 Oklahoma households, including 816 children living in those households, received the expanded child tax credit. The credit lifted an additional 59,000 Oklahoma children out of poverty. That money was spent wisely on food, utilities, clothing, rent, and transportation, likely minimizing the trauma to our children. Now, 276,000 Oklahoma children are losing out on that full credit.

The child and dependent care tax credit expansion helped our working families secure childcare to continue their employment. Qualifying Oklahoma families got back up to half of what they spent on childcare that year. For some households, that is a game changer. Expansion of the earned income tax credit meant there was a brief moment when Oklahoma's childless workers received targeted relief. The expansion tripled the EITC for childless adults and waved the usual age limits and reached an estimated 229,000 childless workers in Oklahoma. It too lapsed at year end.

So where do low-income Oklahomans need support? At work. I think the testimony we have heard here definitely addresses that as well. Some Oklahoma workers are covered by the Family and Medical Leave Act, the FMLA protections, but they can't afford to take unpaid leave. Only one in 20 of the bottom 10 percent of earners have paid leave. Just one in five workers have access to paid leave, and those are mostly high-income earners.

The impact these numbers have on Oklahoma's families are real. I can't take off if my kid is sick if I don't have unpaid leave. More than half of Oklahomans, including 68 percent of rural Oklahomans are in a childcare desert, either no providers within their ZIP code or there are too few slots. This number just really hits me hard, because I have got three kids at home too. In recent years, the number of childcare facilities has fallen by two-thirds, from 6,000 to 2,300.

Housing was an issue before the pandemic. Oklahoma's two largest metros were the Nation's top 20 for eviction rates per capita.

Emergency rental assistance during the pandemic helped, but it also lapsed. Today, more than two in five Oklahomans working full time can't afford a two bedroom rental. An Oklahoma worker needs to earn $16.61 per hour to afford that two bedroom rental; but 17 of the most common 30 professions in Oklahoma, including teachers assistants, home health aides, and customer service representatives, pay less than that.

So what has helped our workforce? Two major programs brought targeted relief, including Unemployment Insurance and Medicaid expansion. When the pandemic hit, Oklahoma saw more unemployment claims in March 2020 than it did in 2009 at the Great Recession's peak.

While some fraudulent unemployment claims were made, including some to us, those claims were investigated and determined ineligible for payment. The State's Unemployment Insurance did what it was created to do in that unprecedented time: Assist Oklahomans in their time of need.

And in the summer of 2020, Oklahomans passed Medicaid expansion through a ballot initiative. It has been an unequivocal success. In January, 358,155 working age adults were enrolled in Medicaid expansion. Because of Medicaid expansion, Oklahomans exiting incarceration will get insurance before returning to their communities. Tribal health systems are more solvent and record levels of children are insured.

I know if we prioritize our communal why, improving the lives of all Oklahomans, we can find compromise across political divides. Thank you for the time to be here, and I look forward to your questions.

[The statement of Ms. Kantz follows:]

How the Federal Government Can Make the Economy Work for Oklahomans

The Oklahoma Policy Institute works to provide research, analysis, and advocacy on a wide array of policy issues aimed at increasing access to economic opportunity for low- and moderate-income Oklahomans, as well as adequate and equitable funding of shared public services. Because the issues that create and exacerbate economic insecurity are complex and intersectional, so too are the policy solutions that can deliver targeted relief and support to the Oklahomans who most need it. This testimony outlines how Oklahoma families are faring, actions the federal government can take to help them, and what resources Oklahomans most particularly need support.

Oklahoma's economic conditions

Oklahomans want to work. The importance of work and labor is ingrained into our state's DNA — look no further than our state motto, *Labor omnia vincit* ("work conquers all"). However, many Oklahomans face the stark reality that outcomes from their labor are outweighed by the economic and social costs for holding jobs that fail to provide a living wage. Oklahomans working jobs at or near minimum wage find little advantage gained when that employment lacks meaningful paths for advancement, requires paying exorbitant amounts for child care, requires reliable transportation that is unavailable to them, or doesn't pay enough for safe housing.

While the COVID-19 pandemic laid bare economic inequities for people working in low-paying, frontline jobs, these problems have long persisted for many Oklahoma residents. The state's poverty rate has consistently ranked among the nation's highest. Even in 2019, before the pandemic, more than 1 in 7 Oklahomans (15.2 percent) lived below the federal poverty line, which was $26,200 for a family of four.[1] The poverty rate was even higher for our state's children, where about 1 in 5 Oklahoma children (19.6 percent) lived in poverty.[2] Federal support temporarily helped lift hundreds of thousands of Oklahomans above the poverty line, especially through the expanded Child Tax Credit, Child and Dependent Care Credit, and Earned Income Tax Credit. Targeted federal investments provide much needed relief for Oklahomans who are living and working on the economic margins.

Minimum wage

Oklahoma is one of 20 states that uses the federal minimum wage, which sets our wage floor for most workers at $7.25 per hour. Although four of six bordering states have minimum wages

[1] Phillips, Josie, "Census data show Oklahoma still lags nation in poverty rate," (Oklahoma Policy Institute, 2020), accessed 27 February 2020 at https://okpolicy.org/census-data-shows-oklahoma-still-lags-nation-in-poverty-rate/
[2] Putnam, Carly, "Latest poverty, health insurance data show that Oklahoma still has work to do," (Oklahoma Policy Institute, 2022), accessed 27 February 2023 at https://okpolicy.org/latest-poverty-health-insurance-data-show-that-oklahoma-still-has-work-to-do/

higher than the federal minimum wage, any minimum wage increase in Oklahoma will likely happen through a federal minimum wage increase.[3]

A living wage for a childless adult in Oklahoma is $15.49 per hour — more than double the minimum wage — and living wage requirements increase dramatically with children.[4] More than half of Oklahoma's minimum-wage workers are adults who are 25 years old or older.[5] Women represent 2 in 3 minimum wage workers, and a Black worker is 50 percent more likely, and a Latino/a worker 40 percent more likely, than a white worker to make minimum wage or less.[6]

A minimum wage increase would benefit more than just minimum wage workers. Relatively few workers actually earn minimum wage, but a substantial share of workers are classified as "near minimum wage" earners. These two groups (minimum wage workers and near-minimum wage workers) make up nearly 1 in 3 workers. An increase in the minimum wage would benefit all of them through a ripple effect. As minimum wage workers get a raise, the groups just above them are likely to receive a raise as well to maintain the existing wage distribution and prevent those near-minimum wage workers from leaving.[7]

Paid family and medical leave

All workers should be able to care for a loved one or take time off for a new child without losing pay or putting their job at risk. But that's not the situation for most Oklahomans. For the 1 in 5 workers who have access to paid leave, they are disproportionately higher income earners. Of the lowest 10 percent of earners, just 1 in 20 have paid leave.[8]

The federal Family and Medical Leave Act (FMLA) provides access to unpaid leave. Only some workers are covered by FMLA, and not all covered employees can afford to use their unpaid

[3] "State Minimum Wages," (National Conference of State Legislatures, 2022), accessed 1 March 2023 at https://www.ncsl.org/labor-and-employment/state-minimum-wages
[4] Glasmeier, Amy K., "Living Wage Calculator," (Massachusetts Institute of Technology, 2020), accessed 1 March 2023 at https://livingwage.mit.edu/states/40
[5] Cullison, Courtney, "The State of Work in Oklahoma: Valuing Work," (Oklahoma Policy Institute, 2020), accessed 28 February 2023 at https://okpolicy.wpenginepowered.com/wp-content/uploads/OKPolicy-Paper-Pt2-Valuing-Work-Draft-Final-February-2020.pdf
[6] Cullison, Courtney, "The State of Work in Oklahoma: Valuing Work," (Oklahoma Policy Institute, 2020), accessed 28 February 2023 at https://okpolicy.wpenginepowered.com/wp-content/uploads/OKPolicy-Paper-Pt2-Valuing-Work-Draft-Final-February-2020.pdf (Note: Data is not available for other racial groups, including American Indians and Alaskan Natives. Only White, Black, and Asian are included in the publicly reported Current Population Survey earnings data)
[7] Cullison, Courtney, "The State of Work in Oklahoma: Valuing Work," (Oklahoma Policy Institute, 2020), accessed 28 February 2023 at https://okpolicy.wpenginepowered.com/wp-content/uploads/OKPolicy-Paper-Pt2-Valuing-Work-Draft-Final-February-2020.pdf#page=6
[8] Phillips, Josie, "Paid Family and Medical Leave is a crucial step towards modernizing our economy," (Oklahoma Policy Institute, 2021), accessed 28 February 2023 at https://okpolicy.org/paid-family-and-medical-leave-is-a-crucial-step-towards-modernizing-our-economy/

leave. Almost half of the employees who need to take family or medical leave do not take advantage of the FMLA because they cannot afford to forgo their wages.[9]

Paid family leave benefits children by helping them develop proper cognitive, social, and emotional development. Children whose parents used paid parental leave are less likely to die as infants, become overweight in elementary school, or develop ADHD or hearing-related problems. Paid family leave policies also improve adults' physical and mental health. Mothers who use paid family leave are less likely to experience postpartum depression and more likely to report better health and higher confidence in their ability to care for their child. Oklahoma's families need support in order to thrive and guaranteeing paid family and medical leave is a proven way to uplift families' physical and mental health.[10]

Paid family and medical leave has demonstrated benefits to our economy. The presence of paid family and medical leave policies improves women's labor force participation rates, boosts productivity, and decreases the use of public assistance.[11] Almost two-thirds of families nationally have two working parents, and more than 1 in 3 Oklahoman children live in single-parent households.[12] Refusing to give parents the needed flexibility to care for their children places an unsustainable strain on our low- and middle-income families.

Our citizens would benefit from federal support/mandates to create options for paid family and medical leave programs. We are gratified by Oklahoma Congresswoman Bice's leadership on the bipartisan task force exploring the issue, and look forward to the task force's work going forward.

Leveraging the federal tax code

The federal government can use income supports through the tax code to provide needed, targeted help to families. Income supports are a proven and efficient way to help families. The Child Tax Credit, the Child and Dependent Care Credit, and the Earned Income Tax Credit all make our families more stable and allow them to invest in the future. They also make our tax system fairer by allocating tax dollars to people who most need the money and who research shows spend that money responsibly on family needs.

[9] Phillips, Josie, "Paid Family and Medical Leave is a crucial step towards modernizing our economy," (Oklahoma Policy Institute, 2021), accessed 28 February 2023 at https://okpolicy.org/paid-family-and-medical-leave-is-a-crucial-step-towards-modernizing-our-economy/
[10] Phillips, Josie, "Paid Family and Medical Leave is a crucial step towards modernizing our economy," (Oklahoma Policy Institute, 2021), accessed 28 February 2023 at https://okpolicy.org/paid-family-and-medical-leave-is-a-crucial-step-towards-modernizing-our-economy/
[11] "The Economic Benefits of Paid Leave: Fact Sheet," (Joint Economic Committee), accessed 1 March 2023 at https://www.jec.senate.gov/public/_cache/files/646d2340-dcd4-4614-ada9-be5b1c3f445c/jec-fact-sheet---economic-benefits-of-paid-leave.pdf
[12] "Oklahoma Indicators," (Annie E. Casey Foundation KIDS COUNT Data Center, 2022) accessed 1 March 2023 at https://datacenter.kidscount.org/data#OK/2/0/char/0

Child Tax Credit (CTC)

The temporary expansion of the federal Child Tax Credit (CTC) during the pandemic helped many Oklahoma families. Roughly 460,000 Oklahoma households — including about 816,000 children — were receiving the expanded Child Tax Credit at the time pandemic-related benefits ceased in December 2022. The credit had been increased from $2,000 per child to $3,600 per child, and made refundable. This dramatically expanded the share of households, especially low-income households, who were able to claim it because low-income families often earn too little to actually claim it.[13] The credit was also made available in monthly payments, giving families the ability to better budget and pay expenses in real time.

Before the CTC expansion, a home-health aide with a second-grader and a toddler received only $750 through the CTC, and that was a lump sum at tax time. With the expanded CTC, that parent received $550 *per month*. This increase in support and its consistent delivery helped lift an additional 59,000 Oklahoma children above poverty.[14] Data show 9 in 10 Oklahoma parents used that money on “essential” purchases - food, utilities, clothing, rent, and transportation.

Because the expanded CTC was allowed to expire, 276,000 Oklahoma children are left out of the full credit.[15] For these families, this represents groceries, rent, gas, and a car payment.[16] Child poverty was cut nearly in half, to a historic low in 2021 — and 70 percent of the reduction was as a result of the enhanced CTC.[17]

These needs have long existed in Oklahoma. In 2018, 1 in 4 jobs in Oklahoma were in an occupation with a median wage below the poverty guideline for a family of four. Our poverty rates have barely budged over the last decade. The expansion of the CTC was an unequivocal policy success, and failure to make it permanent not only arbitrarily ended needed aid to Oklahoma families. It showed their government knew how to help them and simply chose not to.

Child and Dependent Care Tax Credit (CDCTC)

As with the Child Tax Credit, the temporary pandemic-related expansion of the Child and Dependent Care Tax Credit (CDCTC) helped working families secure child care to continue their employment. This has become especially valuable as working families are facing rapidly

[13] Gould, Elise, “Child Tax Credit expansions were instrumental in reducing poverty rates to historic lows in 2021,” (Economic Policy Institute, 2022), accessed 1 March 2023 at https://www.epi.org/blog/child-tax-credit-expansions-were-instrumental-in-reducing-poverty-to-historic-lows-in-2021/
[14] Jacobi, Gabrielle, “Oklahoma families need economic support following the ending of the expanded Child Tax Credit,” (Oklahoma Policy Institute, 2022), accessed 28 February 2023 at https://okpolicy.org/oklahoma-families-need-economic-support-following-the-ending-of-the-expanded-child-tax-credit/
[15] Marr, Chuck, et al., “Year-End Tax Policy Priority: Expand the Child Tax Credit for the 19 Million Children Who Receive Less Than the Full Credit,” (The Center on Budget and Policy Priorities, 2022), accessed 2 March 2023 at https://www.cbpp.org/research/federal-tax/year-end-tax-policy-priority-expand-the-child-tax-credit-for-the-19-million
[16] Jacobi, Gabrielle, “Oklahoma families need economic support following the ending of the expanded Child Tax Credit,” (Oklahoma Policy Institute, 2022), accessed 28 February 2023 at https://okpolicy.org/oklahoma-families-need-economic-support-following-the-ending-of-the-expanded-child-tax-credit/
[17] Gould, Elise, “Child Tax Credit expansions were instrumental in reducing poverty rates to historic lows in 2021,” (Economic Policy Institute, 2022), accessed 1 March 2023 at https://www.epi.org/blog/child-tax-credit-expansions-were-instrumental-in-reducing-poverty-to-historic-lows-in-2021/

rising child care costs coupled with the decreasing availability of quality care. The average benefit from the expanded CDCTC was more than three times larger than in prior years. In 2021, Oklahoma families with incomes below $125,000 got back up to half of what they spent on child care that year while working or studying—saving up to $4,000 for one child or $8,000 for two or more children under age 13.[18]

The temporary increase provided enormous value to families and reinforced that the current credit is inadequate; the pandemic-related increases also showed a path to fix them including refundability, indexing to inflation, increasing the amount of eligible expenses, and establishing a maximum credit rate and phaseout threshold.[19]

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) is broadly considered the most effective means-tested federal antipoverty program, and its temporary increase briefly made it far more effective. Simply put, the EITC rewards work for low-income families, particularly families with children, with additional income.[20] The EITC also helps offset low-income workers' federal income tax liability. Because the credit is refundable, filers receive any balance beyond what they owe in taxes as a cash transfer. While the EITC has been very effective for low- and moderate-income workers with children, childless workers have been largely prevented from accessing it, and as a result have essentially been taxed into poverty.[21] The temporary increase tripled the EITC for childless adults to a maximum of $1,500 and waived the usual age limits, and as a result reached an estimated 229,000 childless workers in Oklahoma.[22] However, when that expansion was not made permanent, that help collapsed. The expansion should be restored.

Oklahoma has a state EITC. Like the federal credit, it has not been allowed to live up to its full potential. Oklahoma's EITC is one of the smallest state EITCs in the nation at just five percent of the federal credit. Furthermore, the Oklahoma legislature chose to decouple it from the federal credit, meaning that its value is frozen at five percent of the federal credit circa tax year 2020. By contrast, Kansas's EITC is set at 17 percent of the federal credit and New Mexico's

[18] "State-by-State Analysis on American Rescue Plan: Child Tax Credit goes to 866,000 Children in Oklahoma and EITC Expansion Benefits 236,000 More Workers," (The White House, 2022) accessed 1 March 2023 at https://www.whitehouse.gov/wp-content/uploads/2022/03/Oklahoma-Tax-Credit-1-pager-3.8.pdf

[19] Guarino, Amanda, "Understanding the Difference Between the Child Tax Credit and the Child Care Tax Credit — and Why We Need Both," (The First Five Years Fund, 2021), accessed 1 March 2023 at https://www.ffyf.org/understanding-the-difference-between-the-child-tax-credit-and-the-child-care-tax-credit/

[20] "How does the earned income tax credit affect poor families?" (Tax Policy Center, 2020) accessed 28 February 2023 at https://www.taxpolicycenter.org/briefing-book/how-does-earned-income-tax-credit-affect-poor-families

[21] Marr, Chuck et al., "Congress Should Adopt American Families Plan's Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent," (Center on Budget and Policy Priorities, 2021), accessed 28 February 2023 at https://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child

[22] "Looking ahead: How the American Rescue Plan affects 2021 taxes, part 1," (Internal Revenue Service, 2021) accessed 1 March 2023 at https://www.irs.gov/newsroom/looking-ahead-how-the-american-rescue-plan-affects-2021-taxes-part-1

and Colorado's are both set at 10 percent of the federal credit.[23] One of the pending proposals in the state legislature during the 2023 session could create an EITC-like subsidy specifically for youth aging out of foster care until they turn 26 and qualify for the federal EITC.

In addition to expanding the federal EITC, the federal government can make it easier for workers to claim it. It's no secret that America's tax code is complicated, and corporations that profit off of tax preparation want to keep it that way. The complexity of the EITC rules makes it easy for taxpayers, and even paid tax preparers, to make a mistake on tax returns. About a quarter of returns claiming the EITC contain an error in calculating the credit, meaning that a family should have gotten a bigger or smaller credit, or the wrong taxpayer claimed the qualifying child (as can often happen when two parents share custody). Due in part to this high volume of errors, the IRS reviews EITC tax returns at a higher rate than it does the returns of middle to high-income taxpayers. In fact, a family making $20,000 a year is more likely to be audited than a family making $400,000 a year.[24] In addition to decreasing errors and audits, this simplification would ideally allow the IRS's Volunteer Income Tax Assistance (VITA) and their clients to claim their refunds earlier. While corporate tax preparers can issue refunds when taxes are filed (and take a cut of the refund in profit), people who file with VITA and similar services have to wait six to eight weeks for refunds to process.[25] For low-income filers with mounting bills, that six weeks could be the difference between keeping a roof over their head or homelessness.

In addition, the federal government should expand the EITC for childless workers. The federal income tax system shouldn't tax workers into poverty, but in the case of childless workers, it does. For working families with children, the EITC is a powerful wage subsidy: it and the CTC offset their payroll tax liabilities and additionally supplement their earnings.[26] By contrast, childless workers do not qualify for the CTC, and receive only minimal benefit from the EITC. Furthermore, workers ages 19-24 do not qualify for the EITC, and it phases out after age 64. Low-wage childless workers, including those under 25 and those over 64, perform essential labor, and should not be punished for it.

Additional supports for families

Outside of revising the tax code to be more equitable for low- and moderate-income residents, there are other actions the federal government can take to help Oklahoma families better participate in their economies. Federal investments in Supplemental Nutrition Assistance

[23] "States and Local Governments with Earned Income Tax Credit," (Internal Revenue Service, 2022), accessed 27 February 2023 at https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/states-and-local-governments-with-earned-income-tax-credit
[24] Cullison, Courtney. "The EITC is an effective poverty-fighting tool, and Congress should make it more effective," (Oklahoma Policy Institute, 2019), accessed 1 March 2023 at https://okpolicy.org/the-eitc-is-an-effective-poverty-fighting-tool-and-congress-should-make-it-more-effective/
[25] "Expediting a Refund," (Internal Revenue Service, 2022), accessed 1 March 2023 at https://www.taxpayeradvocate.irs.gov/get-help/refunds/expediting-a-refund/
[26] Marr, Chuck et al., "Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty," (Center on Budget and Policy Priorities, 2016), accessed 28 February 2023 at https://www.cbpp.org/research/federal-tax/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce

Program (SNAP) and Medicaid during the pandemic were crucial in helping Oklahoma families during this time of need, but both sets of pandemic-related supports are expiring in spring 2023. More than 700,000 Oklahoma families receive SNAP benefits, and the emergency SNAP assistance provided additional benefits ranging from about depending on family size.[27] Similarly, the pandemic rules for continuous Medicaid coverage are expiring in April 2023 that could result in up to 300,000 Oklahomans losing health care coverage.[28] Adopting these pandemic-related measures as a matter of course moving forward would provide targeted relief to low-income workers.

Child care

Thousands of families cannot afford or otherwise can't access safe, affordable child care or housing. This means that workers are unable to fully contribute to the economy, and more importantly, parents cannot fully set their children up to thrive. For Oklahoma families, child care is very often out of reach. Two-thirds of children birth to five years old have all available caregivers in the workforce, meaning that their families need child care. But more than half of all Oklahomans, including 68 percent of rural Oklahomans, are in a child care desert, meaning there are either no providers within their ZIP code or too few slots.[29] In recent years, the number of child care facilities in the state has fallen by two-thirds, from 6,000 to an estimated 2,300.[30]

The child care crisis isn't an Oklahoma-specific issue. Congress has tools at its disposal to address this need, including financial support for child care providers in recognition of their vital importance to the nation's workforce and cash assistance to low- and moderate-income families to help them contribute to their local economy.

Housing stability

In recent years, home prices have skyrocketed, interest rates have climbed, rents are continuing to increase, and the demand for affordable housing is outstripping supply. But as with other issues addressed here, housing has long been an issue in the state even prior to the pandemic. A 2016 study found Oklahoma's two largest metropolitan areas were among the nation's top 20 for eviction rates.[31] The pandemic made this situation worse. By mid-2021, more than one in

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[27] Sweeney, Catherine, "Another pandemic relief policy is ending, making groceries even more expensive for low-income Oklahomans," (StateImpact Oklahoma, 2023), accessed 1 March 2023 at https://stateimpact.npr.org/oklahoma/2023/02/16/another-pandemic-relief-policy-is-ending-making-groceries-even-more-expensive-for-low-income-oklahomans/

[28] Corbett, Kevin, "Appropriations and Budget - Oklahoma Health Care Authority Performance Review," (Oklahoma State Legislature, 2023) accessed 2 March 2023 at https://sg001-harmony.sliq.net/00283/harmony/en/PowerBrowser/PowerBrowserV2/20230125/-1/53343?startposition=20230125134653&mediaEndTime=20230125134732&viewMode=2&globalStreamId=3

[29] Jacobi, Gabrielle. "COVID-19 worsened an existing crisis for child care in Oklahoma," (Oklahoma Policy Institute, 2022), accessed 1 March 2023

[30] Hertneky, Dana. "DAYCARE DESERT: CHILDCARE CRISIS IN OKLAHOMA," (NewOn6, 2022), accessed 1 March 2023 at https://www.newson6.com/story/62451dacbdb8be071cc446e0/daycare-desert:-childcare-crisis-in-oklahoma

[31] "Top Evicting Large Cities in the United States," (Eviction Lab), accessed 1 March 2023 at ps://evictionlab.org/rankings/#/evictions?r=United%20States&a=0&d=evictionRate&lang=en

three Oklahomans lived in households facing likely eviction or foreclosure during the previous nine months.[32]

Emergency rent assistance helped keep Oklahomans in their homes during the pandemic. But as rent assistance ended, it left too many Oklahomans unable to afford modest housing. More than 1 in 5 Oklahomans working a single, full-time job cannot afford a modest one-bedroom rental at fair market rent, while 2 in 5 cannot afford a two-bedroom rental. An Oklahoma worker needs to make $16.61 per hour to afford a two-bedroom rental home. However, on average, 17 of the 30 most common professions in Oklahoma — including teacher assistants, home health aides, and customer service representatives — pay less than that.[33]

In Oklahoma more than 500,000 people rent their home, making up 34 percent of Oklahomans.[34] Renters are overwhelmingly people of color. National figures from 2019 show 58 percent and 53 percent of Black and Latinx households were renters, compared to only 31 percent of white households.[35] This imbalance stems from structural racism and a history of racist housing policies.[36]

Working adults will continue to struggle to provide a stable home for their families unless there is a substantial influx of affordable housing, an increase in wages, or additional targeted housing supports for low-income workers.[37]

Unemployment Insurance

Unemployment insurance has proven to be a crucial support for working families during the difficult economic conditions of the pandemic's earliest days. Oklahoma saw more unemployment claims in March 2020 than it did in all of 2009, the year during the Great Recession where Oklahoma saw the largest number of new unemployment claims.[38] In the midst of truly unprecedented job loss and turmoil, unemployment insurance helped thousands of Oklahomans make ends meet.

[32] Rose, Ahniwake, "Policy Matters: The human costs of eviction," (The Journal Record, 2021), accessed 1 March 2023 at https://journalrecord.com/2021/07/07/policy-matters-the-human-costs-of-eviction/
[33] "Out of Reach: Oklahoma," (National Low Income Housing Coalition), accessed 1 March 2023 at https://nlihc.org/oor/state/ok
[34] "Occupied housing units," (United States Census Bureau), accessed 28 February 2023 and archived at https://www.dropbox.com/s/4e34jwkswnli2ho/ACS%202019%205_year%20renters%20by%20county.xlsx?dl=0
[35] "Who are the renters in America?," (USAFacts, 2021), accessed 1 March 2023 at https://usafacts.org/articles/who-is-renting-in-america-cares-act/
[36] LeBlanc, Atticus, "How Systemic Racism Exists In U.S. Housing Policies," (Forbes, 2020), accessed 1 March 2023 at https://www.forbes.com/sites/forbesrealestatecouncil/2020/07/09/how-systemic-racism-exists-in-us-housing-policies/
[37] Brown, Sabine, "Housing is unaffordable for Oklahoma's low-wage workers," (Oklahoma Policy Institute, 2023), accessed 1 March 2023 at https://okpolicy.org/housing-is-unaffordable-for-oklahomas-low-wage-workers/
[38] Cullison, Courtney, "Unemployment insurance keeps Oklahomans safe, supports the economy," (Oklahoma Policy Institute, 2020), accessed 1 March 2023 at https://okpolicy.org/unemployment-insurance-keeps-oklahomans-safe-supports-the-economy/

There were fraudulent unemployment claims made during that period, including a handful involving the Oklahoma Policy Institute. However, those claims were investigated and determined not eligible for payment. In other words, attempted fraudsters were not successful and the state's unemployment insurance system did exactly what it was supposed to.

Mental health access

Our state is not immune from the nation's growing mental health crisis, as pre-pandemic studies found that Oklahomans living with mental illness and addiction die nearly three decades earlier than other residents. A regional mental health report showed 1 in 7 Tulsans has a mental illness, and 1 in 3 Oklahoma children encounters two or more adverse childhood experiences such as abuse or neglect.[39] The pandemic only exacerbated mental health issues here and around the nation.[40] Beyond quality of life, mental health has become a key workforce issue as new findings in Oklahoma show commercial insurers are offering critically little access to the state's mental health providers, corroborating earlier reports that major parity violations disadvantage mental health providers and services.[41]

We appreciate this committee's work on H.R. 432 (the Mental Health Access Improvement Act of 2021) and on its efforts to amend the Social Security Act to ensure adequate coverage of outpatient mental health services under Medicare. Congress can provide additional tools for Oklahoma providers and strengthen mental health parity law by fully passing the Mental Health Matters Act[42]; reforming Employee Retirement Income Security Act of 1974 (ERISA) to hold insurers liable for harm they cause[43]; and addressing the ramifications of *Wit v. United*.

Medicaid expansion

Medicaid expansion took effect in summer 2021, one year after passage of a successful ballot measure; it has proven an unequivocal success in Oklahoma.[44] As of January 2023, 358,155 working-age adults were enrolled in Medicaid expansion, comprising more than 1 in 4 Medicaid

[39] Aron, Laudon et al., "Prevention, Treatment, and Recovery: Toward a 10-Year Plan for Improving Mental Health and Wellness in Tulsa," (Urban Institute, 2018), accessed 2 March 2023 at https://www.urban.org/research/publication/prevention-treatment-and-recovery-toward-10-year-plan-improving-mental-health-and-wellness-tulsa
[40] "COVID-19 pandemic triggers 25% increase in prevalence of anxiety and depression worldwide," (World Health Organization, 2022), accessed 1 March 2023 at https://www.who.int/news/item/02-03-2022-covid-19-pandemic-triggers-25-increase-in-prevalence-of-anxiety-and-depression-worldwide
[41] "Accessing Behavioral Health Providers Through Private Insurance in Oklahoma," (February 2023), accessed 2 March 2023 at https://okpolicy.org/wp-content/uploads/Healthy-Minds-network-adequacy-report.pdf
[42] "We're one step closer to making mental health and addiction care more affordable," (The Kennedy Forum, 2022), accessed 1 March 2023 at https://www.thekennedyforum.org/blog/were-one-step-closer-to-making-mental-health-and-addiction-care-more-affordable/
[43] Shachar, Carmel, "The Preemption Clause That Swallowed Health Care: How ERISA Litigation Threatens State Health Policy Efforts," (Health Affairs, 2020), accessed 1 March 2023 at https://www.healthaffairs.org/do/10.1377/forefront.20201013.533063/
[44] Morris, Emma, "Medicaid Expansion in Oklahoma: Year One," (Oklahoma Policy Institute, 2022), accessed 2 March 2023 at https://okpolicy.org/medicaid-expansion-year-one/

enrollees in the state.[45] It's not possible to separate the effects of expansion and the Public Health Emergency's continuous enrollment requirement. The end result of these two programs together meant that low-income Oklahomans and their children had reliable, affordable access to care when they needed it most. As a result of Medicaid expansion, a record share of Oklahoma children are insured,[46] Oklahomans exiting incarceration have a pathway to health care,[47] tribal health care systems are more financially secure,[48] and enrollees may be less likely to be evicted.[49]

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[45] "SoonerCare Fast Facts: January 2023," (Oklahoma Health Care Authority, 2023), accessed 2 March 2023 at https://oklahoma.gov/content/dam/ok/en/okhca/docs/research/data-and-reports/fast-facts/2023/february/Total%20Enrollment01_23.pdf

[46] Morris, Emma, "New report shows Oklahoma led nation in improving health insurance coverage, but more than 75,000 Oklahoma children remain uninsured," (Oklahoma Policy Institute, 2022), accessed 2 March 2023 at https://okpolicy.org/new-report-shows-oklahoma-led-nation-in-improving-health-insurance-coverage-but-more-than-75000-oklahoma-children-remain-uninsured/

[47] Gateley, David, "Medicaid expansion is a vital piece of reentry for Oklahomans leaving incarceration," (Oklahoma Policy Institute, 2022), accessed 2 March 2023 at https://okpolicy.org/medicaid-expansion-is-a-vital-piece-of-reentry-for-oklahomans-leaving-incarceration/

[48] Morris, Vivian, "Medicaid expansion improved access to care for Indigenous Oklahomans," (Oklahoma Policy Institute, 2022), accessed 2 March 2023 at https://okpolicy.org/medicaid-expansion-improved-access-to-care-for-indigenous-oklahomans/

[49] Brown, Sabine, "Medicaid expansion improves housing stability," (Oklahoma Policy Institute, 2022), accessed 2 March 2023 at https://okpolicy.org/medicaid-expansion-improves-housing-stability/

Chairman SMITH. Thank you, Ms. Kantz.

And I want to thank all of our witnesses for your excellent testimony and for—once again, thank you for taking time out of your busy schedule, for being here.

We will now proceed to the question and answer session, and I will begin first. I know that my colleagues are eager for the opportunity to ask a number of more specific questions as we hear from you all about how the policies coming out of Washington have impacted your lives here in the heartland. So I will keep my questions to just one, but I will ask each of you all to respond to it.

Under President Trump, one of the key changes this committee made for working American families was to double the amount folks can deduct from their income each year and to lower their Federal tax bill. Those who are benefiting the most from that change are median-income households, which is about $60,000 per year right here in Oklahoma.

As life has become more expensive for all Americans over the last 2 years, we are seeing why deducting more from income makes sense, because more and more family budgets is having to be used for so many basic needs just to get by. And when President Biden releases his budget on Thursday, we will again see that he wants this relief from Federal taxes for American families to expire.

I want you each to answer this question through the perspective of your customers, your suppliers, your neighbors and friends. In the midst of a 40-year high spike in the cost of living, what would it mean for them if this committee further reduced their yearly tax burden to give American families an extra couple hundred dollars in their pocket each year right now?

Mr. Jackson, why don't we start with you and go down the line.

Mr. JACKSON. Chairman Smith, I can tell you that reducing the taxes for a small business would greatly help us. Was that your question as far as—could you repeat that, please?

Chairman SMITH. So in the taxes that were cut in 2017, it was doubling of the standard deduction for folks who don't itemize, and so this affected over 80 percent of Americans. So most of your customers would probably be in the standard deduction. That will expire; in fact, in the President's budget on Thursday, he will outline for it to expire. Do you think that it will help your customers, your suppliers, if we would actually increase the deduction so that they would save more on their taxes?

Mr. JACKSON. I think further reducing taxes would definitely be a great thing. And as a small business owner, I can tell you that any money saved is reinvested in our business. And how early on we are, it is a struggle to make sure, like I mentioned in my testimony, to have the cash flow to make sure that we can meet payroll, and then beyond that, offer benefits for people who have been with for an extended period of time, paid time off, and healthcare, things like that. So the more we can receive in terms of help in making our life easier and paying less taxes, the more we can do for our employees.

Chairman SMITH. From a business perspective, a small business perspective, what is the tax advantage that has helped your small company the most?

Mr. JACKSON. I would say, the number one thing was the payroll tax credit early on that helped fund us as we cycle through so many employees early on. We have retained about 25 percent of those folks that started with us in the beginning, and so that was the greatest benefit for us to help us meet our obligations early on as we had to operate with cash as an early business.

Chairman SMITH. Perfect.

Mr. Mills.

Mr. MILLS. I would concur with really pretty much everything he said. You know, I think more about my employees than myself because they are really the ones that do the work. I just kind of guide them. So, you know, they are definitely impacted everyday by, you know, the taxes they have to pay. We are burdened, of course, with having to continually pay more and more and more just to keep our employees. And as a small company, we compete against most of the big companies and especially in the oil field. I mean, I make drilling tools and bits, but it is not for oil. It is just shallow drilling, like water and things.

And so—but we have to compete. We have to pay those same benefits, healthcare, you know, so there is a huge burden on myself as a small business. But I think it would be a mistake to take away those taxes, you know, breaks for especially just the average worker. With inflation today, you know, it is accelerated so much that it is a huge benefit.

And I agree with the—I have to tell you, I have never taken any Federal funds ever in my—none of our generations have. We have always just been on our own. You know, there was no bailouts or—we are just not in that industry. And that payroll protection program was a huge shot in the arm at the right time, and it allowed us to retain all of our employees and continue to prosper and grow with a good base.

So that is one of the few really bailouts that we have had the opportunity to work with, and I thank Congress for that at the perfect time. So it did work. But I would think this would be a very bad time to take away anymore tax breaks for especially the average worker.

Chairman SMITH. Thanks, Mr. Mills.

Ms. Payne.

Ms. PAYNE. I think you will see the panel mirror the responses all the way down the line here. I guess, from my perspective though, anytime that hardworking Americans can keep more money in their pocket we should give them that opportunity, especially in these uncertain times that we are in. A lot of my neighbors are not only farmers and ranchers, but they have an off farm job because they have to.

But as things get tighter from in the ag sector and all of us, the more money—Grandpa always said, if you want to double your money, you know, fold it in half and put it in your pocket. I think those days are over. But that would be where I am coming from with it.

Chairman SMITH. Thank you, Ms. Payne.

Mr. Brevetti.

Mr. BREVETTI. Well, Chairman Smith, I am having a hard time thinking of any country that tax their way to prosperity, so lower taxes are certainly better for all. That rising tide would lift all boats.

Specifically to your comment about the removal of the standard deduction, I think of all of the workers in the field, the dozens and dozens of people who work on our wells and whether they are driving saltwater trucks, whether they are building a fence or working on a drilling rig or a frat crew, they are not itemizing deductions. They depend upon that standard deduction. I think that is very critical for working-class Americans, and I would certainly hate to see that lapse.

Chairman SMITH. Thank you, Mr. Brevetti.

Ms. Kantz.

Ms. KANTZ. Thank you, Chairman.

I do believe that targeted relief is the way to go. I think, we firmly believe—we hear a lot of working Americans, working Oklahomans. We truly feel that sweeping—and I truly feel that sweeping—maybe the Tax Code isn't the place unless it is targeted tax credits like we spoke about, about the child tax credit and child dependent care tax credit. The income tax, I think, from my history, has less impact immediately on the people who need it the most.

Chairman SMITH. Thank you.

Mr. Neal, you are now recognized for questions.

Mr. NEAL. Thank you, Mr. Chairman.

And thanks to our witnesses for your superb testimony.

I was reminded as a supporter, even though I come from a highly urbanized State, I have been a consistent supporter of the farm bill. And part of the reason for that is it is what the farmlands of the country produce for urban America. But it is also a reminder of how Congress once cooperated on many of those issues. Two champions of that substantial initiative were Bob Dole and George McGovern, who both had shared a common World War II experience with heroism, the two of them. And I think that these conversations that we have about these sorts of initiatives could be a lot less hostile than they have become. And trying to find this common purpose and common ground is really important.

So let me go to Ms. Kantz for a moment. The Affordable Care Act has really been a success. 20 million more Americans have health insurance, and insurance is based on risk and the sharing of risk. One of the issues that has always troubled many of us has been those States that did not expand Medicaid. And I want to congratulate Oklahoma for expanding Medicaid, to make sure that those at the lower end of the economic spectrum have an opportunity to receive healthcare in an earlier stage of life. It is a good investment in good healthcare.

So the results that you've had, Ms. Kantz, here in Oklahoma have really been positive. Could you briefly talk about how important this step was in benefiting families across Oklahoma?

Ms. KANTZ. Absolutely. Thank you, Ranking Member Neal. We estimated in July 2022 that Oklahoma's uninsured rate had dropped below 10 percent due to the combination of Medicaid expansion and the public health emergency's continuous coverage requirement. In addition to reaching Oklahomans who were in what we called the coverage crater, formally unable to access either Medicaid or subsidized marketplace coverage, expansion has reached kids who were formally eligible but whose parents likely didn't know it.

In 2022, Oklahoma's child uninsured rate reached its lowest rate ever. Because of Medicaid expansion, Oklahomans can expect stronger hospitals moving forward as hospitals in States that have expanded Medicaid are 84 percent less likely to close than hospitals in non-expansion States. Based on other States' experiences, Oklahoma's hospitals can expect to see less, uncompensated care, increased Medicaid revenue, and better financial margins.

Roger Knak is the CEO of Fairview Regional Hospital and a member of my board. Medicaid expansion has allowed his hospital to expand. And a few years ago, his hospital nearly went out of business because it couldn't afford to keep the lights on.

We anticipate that Medicaid expansion will have helped our workers keep working. It is hard to tease that information out right now given noise of the pandemic and the data, but other expansion States have found that expansion helped people without a job get one and helped people with a job stay in that job. We are no longer tying healthcare to an employer. We are all better able to show up at work and at home when we can see a doctor and fill a prescription.

In terms of our state budget, we have every expectation the expansion will at least break even or save Oklahoma money, because that is the experience every other expansion State has had. Medicaid on the chopping block means people's lives on the chopping block. It is whether a parent can see a doctor and fill a prescription. It is whether the kids with disabilities can see a specialist. My own daughter sees a specialist. We have to drive an hour and a half to see a specialist because there is no other specialist in Oklahoma providing care that she needs.

So for us, before Oklahoma was known for having the most successful Medicaid expansion coming out of State question, before we were known for leading the country in criminal justice reform, we were the State with the chronic budget shortfalls. We had nine revenue failures between 2000 and 2020. So we need Medicaid. We want Medicaid in Oklahoma, and our families need Medicaid. We shouldn't have to decide between going to the doctor and paying rent.

Mr. NEAL. Thank you. And I would just make a quick comment as my time is running low. Not knowing a lot about healthcare in Oklahoma, I can say this with some accuracy, that those hospitals are heavily dependent upon Medicare and Medicaid. Private insurance pays a very small amount now in our healthcare system. And the truth is that, I think you could say, a rule of thumb, it is close to 65 percent of the money that is allocated from Medicare and Medicaid.

And the other point that I want to make about Medicaid is—I assume we are going to be discussing it in the next few weeks as we see the Republican budget as well—that a reminder, almost $0.70 on the dollar now goes to nursing home care from Medicaid. It has become a middle-class entitlement which was not its original intention.

So, thank you, Mr. Chairman.

Chairman SMITH. Thank you, Mr. Neal.

I would like to recognize the gentleman from Oklahoma, Mr. Hern.

Mr. HERN. Thank you, Mr. Chairman.

For far too long, unelected bureaucrats and D.C. politicians have attacked the family run farms, energy producers, and manufacturing companies across the heartland, what some in Washington would consider to be the flyover country. These same politicians have never set foot in a place like Oklahoma, so, again, I appreciate everybody being here.

But to see what has happened with you all, you have invested your lives in what you are doing, your stories, fourth, fifth generation, for your time in Iraq and defending the freedom of this country, it is great for everybody to hear in D.C. of what America looks like. Since many of us represent 800,000 in our districts across America, it is great to see everybody, what they are doing.

Many Oklahomans ask me, having spent 35 years in business, when I first started running, what surprised me the most about being in Washington, D.C. And my response was then the same as it is now, is how many people talk about things they know absolutely nothing about. And what you all do and our witnesses do when we come to these hearings is to tell us what is really going on with the policies that are being produced by the Federal government.

You know, as we see what is happening in the last 2 years, as we have seen a border crisis, we see on TV every single day, regardless if we want—anybody wants to admit it or not, it is a crisis. Economic crisis, you all feel the experience of inflation; a labor shortage crisis, you all explain that; a supply chain crisis, we talk about what we want to do with China, but policies coming out of the administration right now are completely contradictory to that; energy crisis, you all are experiencing this every single day.

So despite the last 2 years of what we have seen in this economy, this administration has chosen to stand by their tax and spend agenda that leaves everyday American taxpayers with less money in their pockets. When the Federal government spends more—here is a fact—the American taxpayer has less.

Before Joe Biden took office, Oklahoma's economy was thriving. We saw significant sectors of our economy, from agricultural to manufacturing to energy, create new job opportunities. Now restrictive trade policies, as was mentioned, and unnecessary tax increases are limiting the ability for farmers, energy producers, and manufacturers to compete in the global marketplace.

I really want to—I had a question here, but I really just want to say something. You know, really, as you all listen to what we say, and what I have experienced now being in Congress for 4 years, really at the heart of the whole conversation is with us in Washington, D.C. versus everyday Americans that we are out in the heartland is really trying to ascertain who does it better, you as the individuals creating the jobs, the workers trying to take care of themselves and their family, or Washington, D.C. that wants all of your taxpayer dollars and for us to decide who should get what in a targeted environment. And that is really the—that is the decision process at the highest level that is going on right now: Who can do it better, Washington, D.C. or everyday Americans?

So my question is something very simple: Which is better? Leaving the taxpayer dollars—we have a baseline we have to meet. National defense, secure our Nation, as our founders describe, leave as much money in the—certainly in the lower middle-class income pockets so that they can do the basic needs, like supply childcare and healthcare and go find their right job and not depend on the Federal government.

Our success should be measured by how many people we get out of poverty not how many people are on Medicaid expansion or other programs in the Federal government. And as a person who grew up on food stamps, and, you know, whether people want to hear this or not that may be sitting at this table, I have experienced it. I have experienced the way out. And my success story was not that I am still on welfare, is that I got off of welfare, and I experienced the American Dream.

And that is what we will hear all about today is to try to ascertain—I do believe in the heart of heart of everybody here it is about my members that are here, my friends that are here, is that we all have the same goal in mind, is everybody become successful of the American Dream. It is the pathway of getting there that we can't agree on.

So with that, I would love to start, Ms. Payne, you actually alluded to this, and I would like to hear your thoughts on this as well.

Ms. PAYNE. Representative, very well said. I was about moved to tears over here, and this farm girl doesn't cry very often, but—in thinking back, whenever I was running the Oklahoma National Stockyards and the employees that we had there, it was a very diverse group. And some of the challenge—some of it is because it is very—well, as Bryan mentioned earlier, it is a dirty job, so not everybody wants to do it. But the diversity within our staff was everything from obviously the red-headed female, we had Army veterans that worked on staff, and we also utilize a lot of justice involved.

And seeing, especially with the justice involved, being able to offer them an opportunity to break their cycle, to have a job that meant something at the end of the day, and to be treated fairly, was one of the most rewarding things I have ever seen in my life. And that is part of this American Dream.

It doesn't matter where you are from, it doesn't matter if you are a farmer, rancher, steel, oil and gas, or if you have ran into trouble in your past, it doesn't define who you are, but America gives that opportunity and that is incredible. Within that, you make difficult choices of what—on taxing us, but we need to be thinking about as we move forward how to—everybody deserves a chance to make it. So thank you all.

Mr. HERN. Thank you. I yield back.

Chairman SMITH. Thank you.

I would like to recognize the gentleman from California, Mr. Thompson.

Mr. THOMPSON. Mr. Chairman, thank you very much for having this hearing. And thank you all for being here, the witnesses, and for a very gracious host.

I just want to make a couple of comments on the opening statements that were made by our witnesses. The issue of skilled labor and the shortage of skilled labor was brought up. And I just want to say, you know, you are not alone. I hear about that every day in my District.

Big contributors are the age of the workforce. People are retiring. And a big contributor to that is the lack of childcare, which is a huge, huge problem. So, there is tremendous competition for available workers, and the pay kind of dictates where folks are going. And I think that is an important thing to remember.

And I am sorry about your herd size. I am a farmer myself. And I have—in California, up until just recently, we have been—experienced tremendous drought. So, I get it. And I have colleagues who have had to sell their herds because they can't afford the food. There is no water. And there is not a lot—as Mr. Lucas mentioned, this is the premier committee in Congress, but there is little we can do about the drought.

In Ukraine, the war in Ukraine—Russia's illegal invasion of Ukraine has really hurt us as well. We are hurting for fertilizer. In my District, one of the crops grown are sunflower seeds, and we sell 50 percent of the seeds to Ukraine for their seeds. And that market has just gone away.

The good news is, this is the one thing that Congress was able to do—and I know Oklahoma was a big recipient of this. You received a lot of help in regard to disaster relief. And I think that is important. And with the farm bill reauthorization coming along, you ought to be really plugged into that lane. It is important.

And tariffs—you are right. Tariffs are terrible. They should be the last resort. We are experiencing problems from the last administration's imposition of tariffs. Everything from raw materials to nails. And it has been crippling.

And Mr. Jackson, thank you for your service. And thanks for being in the best branch of the military. And thank you for raising the issue of mental health. It is a huge, huge issue. And I think it is important to note that the Democrats on this committee supported strongly the increase in veterans' benefits that are entitled—veterans are entitled to. It has helped them a lot. But we still have a long way to go. And I am a believer that we need to make a major investment in brain research so we can get ahead of the mental health problems rather than applying expensive Band-Aids along the way.

Ms. Kantz, I would like to start—I have a couple questions for you. You mentioned in your testimony that one in five Oklahoma kids in 2019 were living in poverty. When the Democrats on this committee expanded the Child Tax Credit, the child poverty rate in Oklahoma fell from 13.1 percent to 6.9 percent. Can you tell me what Oklahomans use their Child Tax Credit for? What types of things did they buy?

Ms. KANTZ. I absolutely can. Thank you, Representative.

Data shows that more than 90 percent of the families with lower incomes use their monthly payments in five major categories: Putting food on the table, paying utility bills, covering rent or mortgage payments, buying clothing, and covering education costs, which during the pandemic, was a new piece for a lot of families to overcome. And they also bought schoolbooks, paid credit cards. Very few, under 20 percent, put it into savings. And then several put it into childcare. The money went into Oklahomans' pockets and helped ease the burden of their monthly bills.

Mr. THOMPSON. So that money is spent out across the economy in every city, town, and county in Oklahoma. Thank you very much.

There was a lot of talk about the tax policies that the Republicans passed and what we should do about that. I think it is important to note that the centerpiece of that tax bill was the cut in corporate tax rates that went from 35 to 21 percent, a much bigger cut than the proponents even wanted.

And so, Ms. Kantz, I was interested to know, for families in Oklahoma, what is more compelling, the Child Tax Credit or extending the corporate tax cuts?

Ms. KANTZ. Well, I think from the testimony that we have heard here, that anything we can do to help our workforce is where we need to be investing. And that will fuel up through the corporate sector. So, any investment into our families, into our homes, into our children, to help with the trauma, to help with getting out of poverty. I agree with Representative Hern's statement that our measure of success should be how many people we are getting out of poverty. Every Oklahoman deserves the opportunity to thrive, and how are we providing that?

Mr. THOMPSON. Thank you very much. Thank you, Mr. Chairman, for your generosity with the clock.

Chairman SMITH. Thank you, Mr. Thompson.

I would like to recognize the gentleman from Oklahoma.

Mr. LUCAS. Mr. Chairman, before I begin, I would like to submit for the record the statement by Austin Puckett, the owner of Benjamin Lee Bison, a family-owned and operated bison range from Sayre, Oklahoma describing how soaring fertilizer, energy, repair, and shipping costs as well as labor shortages have harmed his operations.

Chairman SMITH. Without objection, so ordered.

[The information follows:]

BENJAMIN LEE
BISON

Benjamin Lee Bison – Statement for the Record

Chairman Smith and Committee Members

We first and foremost want to send our appreciation for the time and emphasis this committee is placing on the value of information received directly from us as small and local business owners. It takes thousands of us to build a platform large enough for our voices to be heard at levels comparable to our larger, national counterparts.

Benjamin Lee Bison is a family, owned and operated bison ranch located in western Oklahoma, in the town of Sayre, which has a population of roughly 1500 individuals. We fight several uphill battles in our business ranging from dying interest in the ag industry, general aging of the ag industry, ongoing weather phenomena, large conglomerates of meat companies merging to corner even larger portions of the market to control pricing, and overall general inflation as it affects all facets of our business.

Inflation hits on both sides of our business in multiple ways:
Fertilizer –

- Nitrogen availability is what determines the protein content in our grass and the amount of quality forage that grass can produce. As the price of fertilizer skyrocketed so did the cost of providing quality forage for our animals. Nitrogen is only one of many components that are required for healthy soil to produce healthy grass.

Cost of energy –

- From electricity to pump water for our animals or grass to the cost of diesel required to execute any agriculture activities the increase in energy costs hits us at all levels.
- Fuel to make local deliveries and to travel from our ranch to our markets.

General Inflation – how it affects us more than the large companies

- Cost of repair parts, not mention their lack of availability.
- Packaging for our retail meat sales.
- Shipping of our product to customers.

Worker shortages –

- Why would someone work manual labor in the western Oklahoma elements when they can make more money sitting on the couch and collecting from the government?
- Even once our ranch work is done, the quality of our product is still dependent on our slaughter and processing partners to deliver on our product as expected. Years

BENJAMIN LEE
BISON

of hard work can be ruined in a matter of moments by poor work from employers desperately trying to keep their businesses running when few are willing to work.
- Trying find people work do repair work, many businesses cannot find workers to perform even basic tasks.

As a ranch, we heavily focus on the agricultural and land management side of our business, however, the main economic focus of our business is meat sales from our herd. We feel a bit left out by our government when we see the advantages offered to large conglomerations by way of subsidizing their workforce and assistance only available to those that can structure their corporations to qualify for existing programs.

Best,

Austin Puckett
Benjamin Lee Bison, LLC

Mr. LUCAS. Thank you, Mr. Chairman.

Kelli, you are a constituent, so I think I can call you by first name. Thank you for your participation today in the hearing and all the work you do on behalf of cattlemen and women of the great state of Oklahoma.

I have often said that the role—that I view the role of Congress to do things for people, not to people. In your written testimony, you speak about the positive impact that the farm bill programs have had on the cattle industry, and you touched on WOTUS and a number of other regulations that potentially harm the industry.

Could you speak to the importance of collaboration with producers on the ground when it comes to crafting policy? Should we be asking the people who have to live with what we are doing?

Ms. PAYNE. Thank you, Congressman. As a long time Oklahoman, I have got to brag on our delegation. I have always felt like we have—we can get ahold of them and we can talk to our elected officials on the Federal level. And whenever I ran the stockyards, I had an opportunity to host many of our federally elected officials there. They came to us. They understand boots on the ground. Collaboration is key.

It is nice to be able to—it is not just talking directly to you all, but to have access to your staff and to understand. And I would encourage every member in here to spend that time. This is an incredible honor for us to have you all here today and to be able to talk to you face-to-face, but it is just critically important to get this kind of feedback so that you are not picking winners and losers.

We are all—in reference to Representative Hern's statement earlier, this is the American dream. We are all in this still together. Let's collaborate and talk one-on-one. Let's show you. I am sure you didn't expect today to come in here and stand next to great, big Clydesdales downstairs. But this is what we do. And I would be happy to put any of you in the tractor with me.

Mr. LUCAS. I have got one more question for you, but before I go to that, I want to turn to Bryan for just a moment. I think it was about a year and a half ago, maybe almost 2 years ago, you gave me a tour of the facility in Sayre. We are getting ready to fire up.

For the benefit of the crowd, you and I both know State-inspected meat in Oklahoma and federally-inspected meat, same safety, same quality, same everything. Explain to us why the Federal stamp matters. Even though it costs more, why does it matter?

Mr. JACKSON. That is a great question, Congressman. The benefit of being USDA-inspected is there is no restrictions on any quantity where it can go to. It can ship between States, so there is no limitation. It could even be exported if we chose to and were licensed for that.

Mr. LUCAS. And that matters greatly when you are moving your product, especially in a State where we produce so much beef in particular. Thank you.

Kelly, back to you. Oklahomans—Okies, as some of us like to call ourselves—are very resilient people, and we have got a long history of responding to tough things: The Dust Bowl, the Great Depression, the droughts of the 1950s, the hideous drought of 10 years ago, that oil bust of the 1980s that turned much of the State upside down.

What have producers—through all of these challenging times, what have producers done voluntarily to preserve and improve their land in order to better meet the challenges with weather and prolonged drought? We are not just sitting on our hands, right?

Ms. PAYNE. That is correct, Congressman. And you referenced the Dust Bowl. We have obviously learned a lot. We learn more every day. We have technology in place. We just know more now than we ever have. So whether it was the shelter belts that were planted in the 1930s all the way up to current.

My operation itself is in a river bottom. It is very sandy soil. We call it blow sand. And if you had been standing out there on Sunday, you would have had two pounds of it in your eyes. But we have to protect that. We, on our outfit, can run about 250 mama cows. I have one cow with a calf at her side as of this morning, and the three bulls were loaded in the trailer. And then I have seven fat steers to be able to put in the freezer here in about a year. There is nothing there. But we had to pull those cattle off to protect that grass. If I don't have grass, I can't put cattle on it.

So we had to make that decision versus—and we can't afford hay. There is all kinds of sad, sad things going on. But to be able to put in place conservation-type practices so that we can be sustainable when it finally does start raining, Congressman.

Mr. LUCAS. Bottom line, comprehensive farm bills where we make sure we have the ability to produce and consume are critically important. And in this farm bill, we have got to address how to make the Federal inspection available to more packers.

Fair statement, Brian?

Mr. JACKSON. Yes, sir.

Mr. LUCAS. I yield back, Mr. Chairman.

Chairman SMITH. Thank you, Mr. Chairman.

I would like to recognize the gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman. And I want to thank all of our witnesses for sharing your perspectives with us this morning.

Not every issue raised here is under our committee's jurisdiction, but it is important for us to understand the unique challenges facing each State. And there are certainly differences between the communities that I represent in Southern California and the native rural and urban communities here in Oklahoma. But there is also a lot of common ground in terms of the challenges that our small businesses are facing, both in Oklahoma and in California.

Supply chain challenges have made life difficult for businesses in both our States, and thankfully, in the last Congress, Democrats were able to work with some of our Republican colleagues to pass the CHIPS and the Science Act. We have been talking for years about the loss of supply chains and good-paying jobs overseas, and under the leadership of Congressional Democrats, we didn't mindlessly hand multinational corporations a massive tax cut that they didn't need and that they didn't ask us for. Instead, we actually delivered real incentives and the largest infrastructure investment in generations to bring those supply chains back to the U.S.

I would note that all five of my Oklahoma colleagues voted against these critical investments in our Nation's infrastructure. And I guarantee working families in both our States share some of the same challenges trying to juggle childcare and eldercare, medical expenses, and the paid time off to deal with unexpected emergencies.

Once again, Democrats acted to take the pressure off of working families. Under the American Rescue Plan, we expanded the Child Tax Credit and the Child and Dependent Care Tax Credit. I heard from countless constituents that the advanced monthly Child Tax Credit payments finally gave them the breathing room that they needed. And we didn't stop there. Under the Inflation Reduction Act, Democrats delivered reform to control the cost of prescription drugs, like capping the cost of insulin at $35 a month. And in my State, most workers can count on guaranteed paid leave. Of course, there are still gaps in paid leave, and the expansion of the Child Tax Credit sadly was only temporary.

But we know that these are policies that make a meaningful difference for working families. These social programs are not designed to avoid work. They just mean that workers don't have to make those impossible choices between putting food on the table and caring for their loved ones. Democrats delivered critical steps to supporting working families, and we can't stop now.

Ms. Kantz, could you please explain the economic impact that a lack of affordable childcare has on families throughout the State? And I am particularly interested in that because I am a working mother, and I have had those struggles. They are very real.

Ms. KANTZ. Yes. Thank you, Representative. And I also am a working mother of three and was actually pregnant with my third child when I started this position. And if it had not been for my former boss, David Blatt, saying bring your kid to work with you, I would not still be sitting in this seat. So I can definitely speak to it.

I think the most immediate impact is the lack of affordable childcare that—the most immediate impact the lack of affordable childcare has is the access to the workforce. It is going to keep parents home. The HHS guideline is 7 percent of your income should be paid towards childcare. I think, right now, it is about 16 percent for Oklahoman families. That is huge if you have got two minimum wage earners working to head up a household.

Then you get into a situation where you have to decide between work and safety for your kid. Do I have affordable childcare, or do I have cheap childcare that might not be as safe for my child?

Ms. SANCHEZ. I am sorry. I don't mean to interrupt you. But there is a statistic that six million women left the workforce during the pandemic because they were primary caregivers either to young children, aging parents, disabled children. We are not seeing that number of women reenter the workforce. And what do you think that that is due to?

Ms. KANTZ. I think it is that the majority of the people who stay home and are choosing to stay home in the workforce don't have a choice. They can't—they might not have a parent at home who can help. They might not have a boss who says, bring your kid to work. And I really do feel that it negatively impacts women. The majority is women, of caregivers. They are even impacted on their future employment opportunities because there is a gap in their resume now.

Ms. SANCHEZ. So what steps should Congress be taking to ensure that all working class families in Oklahoma have access to quality and affordable childcare?

Ms. KANTZ. One of the things I think that was key to the Child Tax Credit was the ability to receive the timing of the payments. They were spread out. They were better able to manage their money. They were better able to plan. There was some consistency. It wasn't a one-time windfall to their income.

Ms. SANCHEZ. Thank you. I appreciate it.

My time is running short, but I just wanted to make one last comment, which is, an earlier colleague mentioned real Americans in the heartland. And I want to assure people that the people I represent in my District are no less real Americans. They are no less resilient. They are no less hardworking towards trying to achieve that American dream. And with that, I will yield back.

Chairman SMITH. Thank you, Ms. Sanchez. We are all great Americans. Hardworking, great Americans.

Mr. LUCAS. And there is a lot of descendants of Okies in California, too.

Chairman SMITH. Consistent with committee practice, we will now recognize members on a two-to-one ratio.

I recognize the gentleman from Nebraska, Mr. Smith.

Mr. SMITH of Nebraska. Thank you, Mr. Chairman. Certainly, thank you to our witnesses. I think a great perspective, a varying perspective shared among our witnesses.

As a representative of Nebraska and a huge agriculture District, it has been great to be here in an ag area of our country where we get to help feed the world. I think that is a task that sometimes we take for granted ourselves with the production here in America. But with the fact that the world is relying on us in so many ways, I think it is important that we get it right.

If we look at the employee shortage, the worker shortage, how that triggers the supply chain disruptions crisis, the housing crisis, there are so many things we really need to talk about, and obviously there is a diverse perspective here on this at this table.

And I hope that we, as the American people and the representatives, those of us more specifically, can have the discussions that we need to have, where we can discuss the economic needs of a country where the—the Broad Base Tax Relief of 2017 was great for our economy, great for wages, great for productivity, so that individual workers could produce more because the world needs more. The growing population around the world needs to eat, certainly, and we need to be prepared for that.

I grow concerned that government payments are discussed in a context without talking about inflation. And if you look at 2020, as painful as it was, I think it is important that we look at that data because, in the spring of 2020, with the onset of COVID, the economy tanked. Unemployment spiked. Congress got involved on a bipartisan basis. Not in a perfect way. It would be very interesting to litigate all of that. We don't have the time to do that today. But

Congress got involved twice, basically, in 2020, in a bipartisan fashion.

By the end of 2020, the GDP was back to about even from before the thriving economy that we had heading into COVID. So a new administration came into the White House and insisted on increasing and extending government payments. The President was warned that it would trigger inflation. He dismissed that. He pushed it anyway.

And so, you know—and other comments that have been made across our economy, across our country, based on the type of industry that you are involved in. I think the President thinks less of people who are involved in the oil and gas industry, and perhaps some other industries as well. And I hope that, again, we can have the discussions we need to have, the debates that we need to have. We shouldn't shy away from disagreement either. Our country is founded on disagreement. But when you look at the policies that need the discussion, I hope that we can do that moving forward.

Mr. Jackson, my colleague—I believe your congressman—he stole some of my questions relating to inspection. But I know that it is important, especially as it relates to the Federal Government, what you do. I would like anyone on the panel here to discuss what you have done most recently to address the worker shortage that is so acute.

Maybe, Mr. Jackson, if you want to start with that. What you have done most recently to attract more employees.

Mr. JACKSON. One of our biggest challenges is just, being in a small community having a small population, it is very hard to find people with those skill sets. Most people that walk in the door, we have to train them from the ground up. And so any way we can incentivize people looking under a rock, wherever we found people to work, the people who want to show up every day, that is what it has taken.

So we have hired the whole gambit of different types of people that you could imagine. Some of my best employees have been former felons. And so they have had challenges, as veterans do sometimes, in readjusting to society. But we have had challenges with just keeping those people. But the number one thing we have done is just searching for them and providing the best opportunity that we can, a healthy environment that is positive, and then not focusing on just the retaining, but also on the growth aspect. How to help them in their work-life balance and help them improve their lives for themselves and their families.

Mr. SMITH of Nebraska. Anyone else? Briefly. I apologize. My time is expired, and I know time is short.

Chairman SMITH. Go ahead, Mr.——

Mr. SMITH of Nebraska. I will defer to the chairman.

Chairman SMITH. Yeah. You were going to say something, Mr. Mills?

Mr. MILLS. Well, you know, to me, the workforce—like I said, I have been involved about 22 years. And, you know, we have got two fronts that we have got to work on the hardest. One is preparing our youth for a successful career. That is our future. For now, it is getting people to come back to work. And I know healthcare—I mean—I am sorry. Childcare has been an issue for a lot of people. And, you know, they experience workforce issues as well. That is why there is so many, you know, less daycare facilities open because they can't find workers.

You know, so we all are experiencing this. It is a huge issue. And so, you know, what is it going to take to incentivize people to come back to work and not stay at home? You know, everything changed with COVID. People got used to staying home. They were like, hey, I kind of like this. You know, I got my office here, and I can take care of my kids, and I can, you know, have all this free time, and I can work at night or whatever. And there are a lot of people that don't want to come back just because of that.

My business won't allow that to happen. I have to have people in my shop every day to work. And it is harder and harder to find those skilled workers. But, you know, a lot of it is encouraging kids to actually seek a career and preparing them for a career. And we do a lot of great things at Workforce. We have got the individualized career and academic plan here in Oklahoma and many other States that is actually helping kids kind of develop a future for deciding what they want to do after graduation. But those are issues that we deal with. So I will stop.

Chairman SMITH. Thank you, Mr. Mills.

I would like to recognize the gentleman from Pennsylvania, Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman. And thank you for holding this hearing. I think it is really great that we get out of Washington, D.C. and actually get out into the country.

And look, I realize we are all Americans. It doesn't matter where you live or where you work or where you raise your children or anything else. Yes. That is true. That is true. We are all Americans. I get it. But until you come here, you come to a place where things actually have to take place as opposed to creating a policy that may or may not work with one exception that it will cost you a lot of money.

I want to hear more from all of you because the challenges you are facing—I am in the automobile business. The number one challenge we face now is finding talent. Not finding customers, but finding talent. How do you take care of those people who buy an automobile from you and bring it back because they need it serviced? Well, you better have a tech. Right?

And where I live, people make a habit of hitting deer. And only because, during the season, when they are riding, a buck will go across any highway to get to a doe no matter what is coming. But we can't find people to fix cars anymore. We can't find people to do almost anything anymore.

So when I talk to businesspeople and businessowners—and I want to tell you, the number one thing that I worry about in my business is debt. Unserviceable debt is especially scary. I do believe that, at some point in this current economy, this wave is going to crest, and it is going to fall. And when it falls, there are a lot of people that are going to fall with it because of unsustainable debt.

Just to give you an example, last year, we brought in $5.0 trillion in tax revenue. Incredible. Incredible revenue. But we went on to spend $6.5 trillion. So if we talk kitchen table economics, that means a family making $50,000 goes out and spends $65,000 and feels pretty good about itself until the bill comes due.

Now, I don't know how you all handle what you have coming. I don't know how we are going to handle what the 250 people we pay every two weeks when we reach that point where the revenue doesn't match the outgo. Reckless, reckless spending in Washington, D.C. At the time, people thought this was great. It was a windfall for a lot. It wasn't. It was just a deepening tax burden.

So each of you, because there is 2 and a half minutes left, the number one challenge you face other than talent. I don't know where you are on the debt side of this and how much of it worries you. I spend most of my nights waking up trying to figure out what is going to happen next.

So, Mr. Jackson, starting with you. And you have done an incredible job. You hired somebody to go out and figure out how to hire other people. Where is the talent, and how do we get it?

Mr. JACKSON. So I guess the best way to answer that question is just, it has taken us just doing whatever it took to try to stay ahead of the lagging accounts receivable that we face as a small business. And so our biggest challenge is the cash flow and being able to meet those obligations.

So having access to operating lines and things like that is tough for a small business. But we are experiencing that no matter what small business that you are. So I would say that cash flow is our number one concern as a small business and how to meet those obligations.

Mr. KELLY. Mr. Mills.

Mr. MILLS. I agree with that. You know, in this economy, cash is key. And my dad taught me that. It is true. Having good credit and having cash flow. That is how we have survived through all these 115 years in business, is taking care of business like that, and providing good customer service and a quality product.

But right now, my greatest concern is that cash flow. Again, with the supply chain, in order for me to control the escalating prices that still continue today is I have to go out and buy more inventory, outlay more cash. That money is just sitting there on the shelf in the yard. And, you know, you have got to pay for that. That gives you less money to go out and develop new product, buy equipment, hire more people. It is a negative impact on us.

And so we are just like everyone else. We see this possible recession coming. Myself and my customers, we are all kind of holding back, being a little conservative, not buying quite as much, because when this thing does crash at some point—it has got to crash a little bit—we don't get caught. We want to stay in business. And so that is our greatest concern right now. Cash flow probably will be the same for everyone.

Mr. KELLY. Ms. Payne.

Ms. PAYNE. Thank you. Something that I think needs to be considered from the farming and ranching perspective is whenever you are—during calving season, say your cows are calving out in the spring, you are planning. You are looking way, way down the line for your next paycheck.

In the cattle industry specifically, that calf crop is one time. So it is great that those calves may bring 70,000, 100,000. That is your paycheck for the year, and it is way on down the line. So it is a little bit different thought process from my perspective.

Mr. KELLY. Yeah. That is future inventory.

Ms. PAYNE. Yes.

Mr. KELLY. Mr. Brevetti.

Mr. BREVETTI. Well, you mentioned about the lack of skilled workers, and that affects all of us. And it is—it is probably worth pointing out that you can get a loan to go achieve a degree that you may not be able to find a job in, yet how do you fund someone to become a welder? A truck driver? We have a part ownership in a service company, and crane operators are very difficult to find. And we are willing to put them through a training class.

At the OERB, the Oklahoma Energy Resources Board that I am on the board, we have programs that we believe address this by starting with elementary education through middle school, high school, college. We try to get out volunteers in the classrooms to encourage people what we do in our industry so that they will want to work in it.

And then on a college level, we provide scholarships along with other groups here in the State such as the local Society of Petroleum Engineers chapter and the API. We feel that, this way, we can bring more people in. But we still do need to do more.

Chairman SMITH. I am sorry.

Mr. KELLY. We have run out of time. Thank you, Mr. Chairman. Also, Express Clydesdales, this is a great place for us to come today. Thank you so much. It is a beautiful location. And it is really good to get out of Washington and get around real people who really have to produce every single penny that they spend in addition to the taxes that they pay. So thank you all so much, and God bless.

Chairman SMITH. Thank you, Mr. Kelly.

I do want to remind our friends in the audience as well, we have clipboards right here for you to submit anything to the record of information that you think we should know about, issues that we are facing in the state of the current economy, and also solutions that you think we should look at.

I would love to recognize the gentlelady from Alabama, Ms. Sewell.

Ms. SEWELL. Thank you, Mr. Chairman. I want to thank our witnesses for being here today and sharing your stories and your perspectives.

I represent Alabama, and I can close my eyes and listen to all of you speak and know that the folks that I represent share many of your concerns. This hearing is about the state of the American economy. Not the Democratic economy. Not the Republican economy. It is the American economy. And you all have reinforced that. It is about making sure that all of us are vested. All of us are vested in the success of this great country that we live in.

And that irrespective of your wealth, your race, your gender, we all want to achieve the American dream. We may differ on how we get there, but I think all of us want to achieve the American dream.

You know, this month marks the third anniversary of the COVID–19 break out. I think all of us know that it was a global pandemic. It was not a hoax. A million people died. Folks in my District that were of color who had chronic diseases died disproportionately more often than others. But a million Americans died.

And I think that no committee had a bigger impact on trying to mitigate the downturn in the economy than the Ways and Means Committee. And I am very proud of the fact that we were able, if only for 1 year, to give a fully refundable Child Tax Credit.

And, Ms. Kantz, I want you to talk a little bit about that. I can tell you from the perspective of my constituents, I had lots and lots of fathers, not just mommies, telling me how important it was for that income support, especially during that vital time. And it did lift people out of poverty. In my District alone, it lifted 30 percent of the children out of poverty for that 1 year. All because it was an increase in the amount that was given. And as you rightly pointed out, it was given on a monthly basis, not a one-time basis.

And so, can you talk to me a little bit about how that affected your community? And if you could also talk to us about how it affected the members of the Cherokee Nation and how income support was vitally important during that time. And tell us—because we came out of this pandemic stronger. This economy—you know, 12 million jobs were created in the last 2 years. But, I mean, we obviously have things to do. But it is about balance to approach and making sure that employer and employee alike are prospering in this economy.

Ms. KANTZ. Thank you, Representative Sewell. As a member of the—as a citizen of the Cherokee Nation, I definitely applaud all the work that the Tribes have done. There are 38 federally-recognized Tribes in Oklahoma. And they have truly been a beacon of how to care for your citizens. They have definitely stepped up and used the resources. And Cherokee Nation alone has a 3 billion-dollar economic impact on Oklahoma. So a very proud citizen here.

But I definitely think that the Federal Government would do well to honor the sovereignty of those Nations and speak with them and have the table equal for the Nations to speak to their citizens needs individually and not as a whole.

And as far as the Child Tax Credit, not everybody has a parent who can watch their kid. Not everyone can afford to work fewer hours. Not everyone works 9:00 to 5:00 hours. How many childcare systems do you know that are set up to support night shifts? Our hospital workers, our doctors, where are they finding their childcare?

If they don't have a community—you know, we talk about having boots and pulling ourselves up by our bootstraps. I wasn't born into a family that had boots. We got hand-me-down boots. And we had a community in a village around us that helped with those boots. What are we doing in Oklahoma? What are we doing in America to ensure that we are sharing boots? Right?

We really need to show up for the working class, our middle class. We have heard about the wealth gap. It is real. It is real. It is greater than it has ever been in the history of the United States. And we really do need to show up for our working class families.

Ms. SEWELL. You know, the other thing that you mentioned that I thought was really poignant, is that my State did not expand

Medicaid. And frankly, we have seen lots of rural hospitals close because we didn't expand Medicaid. And I think that when you are going through a global health crisis, to not have health insurance, to not be able to provide for yourself and your family, just further undergirds what you were saying.

Mr. Chairman, I just want to conclude by just making a comment and observation. We on the Ways and Means Committee, because we have tax and trade and healthcare in our jurisdiction, can use our tax code to really help working families and entrepreneurs in small businesses alike—we would do well to remember that we are all interdependent. What happens to one of us definitely does affect all of us. And so thank you. With that, I want to, again, thank our witnesses for their testimony.

Chairman SMITH. I want to thank the gentlelady.

I recognize the gentleman from Arizona, Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

Look, we have a country where we are borrowing, what, $48,000 every second. And you will actually hear both sides care. One side believes in subsidization. One side believes in incentives. But we are all, in many ways, trying to get to the same goal.

And forgive me, but in listening, did anyone actually hear the obvious—at least one of the key obvious problems? I have, you know, four over here saying you are desperate to find labor. You know, people that will show up and work. And someone that is concerned about poverty. I was just looking up some of the data for your state, but it is true in my State of Arizona. And it is uncomfortable to talk about, but we got to—we are going to have to deal with it. Young males are dramatically underperforming showing up in the economy. Something is going on out there where they are entering universities in similar numbers and graduating in many universities at half the rate, or they are just not showing up to work. What is honestly going on in our society?

And for those of you in the oil patch, you know, and the meat processing, let's be honest. You don't need someone with a university degree. You just need someone who shows up. If I have millions and millions of young males who somehow disappeared in our economy in the last couple years, what is going on?

Mr. Jackson, your observation—I know you are in a smaller community. And I represent an urban-suburban District. We have fentanyl out of control. We have other things. What is happening in your communities? Why this disparity of, we have jobs, I don't have labor, but I also have data that says I have a substantial number of these young males not showing up. What is going on?

Mr. Jackson. From my perspective, I think a lot of it has to do with people today thinking more about what they can get instead of what they can give. And I think we, as Americans, need to be reminded of—what built this country was people's desire to be free from tyranny. And so we have to show up to work. We have to roll up our sleeves and put the work in.

Mr. SCHWEIKERT. Okay. So you see a societal issue?

Mr. JACKSON. Yes.

Mr. SCHWEIKERT. Mr. Mills.

Mr. MILLS. I agree. And I think it all started with participation trophies. You know, everybody——

Mr. SCHWEIKERT. Sometimes that was the only way I got a trophy.

Mr. MILLS. Everybody is a winner. We don't want to hurt anybody's feelings. I am sorry. There are winners and losers. And it is okay to lose. I have lost. In business, you lose all the time. I don't get every quarter that I quote, you know? Oh, okay. We move onto the next one. And, you know, you just don't take it personal. But that is where it started. It is a society change. And it all starts from home.

And some of this, like I said, could actually work through the school system for us, again, if we can get, I think, business engaged in helping these kids, you know, really find their purpose.

Mr. SCHWEIKERT. It is—look, we were in West Virginia a couple weeks ago. And we have also been digging into some of the data in my Phoenix area. And we have a genuine problem with a number of young people, substance abuse, other things going on. I don't know if that is permeated through this part of the country. I mean, this is a moral imperative. You have a society that needs people, but then people aren't showing up.

Ms. Payne, any theories?

Ms. PAYNE. Representative, I think more kids ought to be forced to haul hay during the hot summer.

Mr. SCHWEIKERT. Yeah, yeah. When we walked through the stables back there—I spent my childhood shoveling horse stalls. I can smell that ammonia a mile away. And I am still doing it.

How about in the oil patch, what do you see?

Mr. BREVETTI. We see a lot of the same thing. It is difficult to find workers. You know, we have essentially what we call the great crew change or the great retirement. So a lot of our workers got to ages where, when the oil patch slowed during the pandemic, they were out of work and said, well, we are just taking early retirement or they were forced to take early retirement. In the past, those workers were replaced by the new crop. We don't have that number——

Mr. SCHWEIKERT. Well, we have—the baby boomers are retiring.

Mr. BREVETTI. Yeah. Baby boomers are retiring. We don't have as many coming up. But in the past history of our country, we brought in immigrants on a legal basis and gave them a work visa. We built this country with immigrants. My grandparents were immigrants from Italy. We need to do more of this. Let's not bring fentanyl across the border. Let's bring in people legally who want to work.

Mr. SCHWEIKERT. Mr. Chairman, thank you for tolerating me.

Chairman SMITH. Thank you, gentleman.

As someone who hauled a lot of hay growing up, I love that comment.

The gentleman from Kansas is recognized.

Mr. ESTES. Thank you, Mr. Chairman, for holding this hearing outside of the D.C. Beltway. And thank you to all our witnesses for being here today.

We are just a few short hours south of my home in Wichita, Kansas. And it is great to have my colleagues here in the heartland. You know, some of the folks and the D.C. bureaucrats and inside on the East and West Coast call this flyover country. But what we have seen here today, and many of us already knew, is that folks in Oklahoma and Kansas and other States here in the middle of the country are a more vibrant, hardworking, dedicated, and patriotic people in America.

Agriculture is a major industry, and it is these men and women who feed, fuel, and clothe our country and the world. We are also home to a lot of manufacturers. In fact, just up I-35 in South Central Kansas, we call it the air capital of the world. Here in Oklahoma City and throughout the Midwest, organizations of all sizes are building planes, earth-drilling equipment, ag products, and more.

In 2017, Republicans overhauled our outdated tax code to benefit families, small businesses, and entrepreneurs. Our goal was to make sure we got the economy going. And in fact, it worked. What we have seen as well is that we have actually collected more taxes.

So in 2022, just last year, we collected over 700 billion more dollars in taxes than the Congressional Budget Office said we would have done if we had not done the Tax Cuts and Jobs Act. And businesses actually paid 12 percent more in 2022 than they would have without the Tax Cuts and Jobs Act. It lowered the rates and ultimately got the economy going, which meant we collected more in taxes. And we have got the lowest unemployment rates, both pre-COVID as well as post-COVID, just because of having the economy going.

Unfortunately, some of those provisions that were put in temporary place—in place temporarily are starting to expire. And one of those that really has had an impact on a lot of businesses is the median expensing of research and development cost. It expired last year.

And I am working to reintroduce legislation that would help restore this crucial tax program so that small businesses here in the Midwest can continue expanding the research and development, creating more good-paying jobs in the United States. And this will help assure we have a strong economy and a strong America.

Mr. Mills, can you tell us a little bit about the impacts you have seen of some good tax policies on your business?

Mr. MILLS. They are absolutely critical. You know, I have said a long time just about to every elected official I can that, you know, just get out of our way and let us grow. Let us develop new product. We want to be a leader in the world like we used to be. Innovative. And here in Oklahoma, we are some of the most innovative people because we are resilient. And, you know, we know what it takes.

But having the benefits of some tax, especially R&D, I mean, let's go make some new things. Let's develop. Let's be leaders again in expanding our economy. And get out of the way. Don't tax us. We are going to go out and create more jobs, create more taxes, to help fund and help people that need the help.

You know, being just even an elected official on the local level, I saw where the tax dollars were going. I probably became a little bit more moderate when I became the mayor because I understood the poverty level in our communities and the people that really needed the help because I saw those agencies helping those people.

So I know the need is there. But at the same time, you can't choke business down in order to get there. They are the people that are generating the jobs and the opportunity and the taxes.

So let's look at this cycle. It is not very complicated. But those definitely have helped us. And R&D is huge. So I appreciate you doing that.

Mr. ESTES. Thank you. And, you know, with a decent tax policy, we need to make sure we have good energy policy. I mean, we are suffering now from rising prices. Not just gas prices, but also heating a home and the impacts on businesses and families. And a lot of us do the bad policies coming out of the Biden administration to attack American energy policy.

And in fact limiting or selling off our strategic reserve to countries like China. And then putting policies in place like marginal wells and some of those restrictions on oil production.

Mr. Brevetti, I know I am running short on time here, but I did want to ask just a quick question about, what are the policies you think would be useful in the United States to implement to help restore and lower energy prices for American consumers?

Mr. BREVETTI. Well, basically, we really need less regulation instead of more. Between the EPA that was mentioned earlier, we also have policies that have come down through WOTUS, the Waters of the U.S., the fish and wildlife, where, you know, the lesser prairie chicken and other endangered species—they became deaths by a thousand cuts. And this has become very difficult for many of us small energy producers to work. The more oil and natural gas we can produce, supply and demand, then the less it is going to be to the consumer.

Mr. ESTES. Look, thank you.

And thank you, Mr. Chairman. I yield back.

Chairman SMITH. Thank you, sir.

I would like to recognize the gentlelady from Wisconsin, Ms. Moore.

Ms. MOORE of Wisconsin. Thank you so much. I don't think my mic is on. Is it on?

Chairman SMITH. I don't think it is on.

Ms. MOORE of Wisconsin. Can I reclaim my seconds?

I just want to thank all of you. And, Mr. Chairman, thank you for inviting us to this field hearing. I am from Wisconsin, and so I share many of the experiences and concerns that you Oklahomans have.

I just want to respond briefly to something that the chairman said in his opening statement with regard to the expiration of the standard deduction. I just want the panel to understand that the reason that that is happening is because of the construction of the tax cuts through the JOBS Act. The then Republican majority decided to prioritize cutting taxes for corporations, and they put in a provision that would make it expire for the people. And so we'll see what happens with that.

I wanted to know from Mr. Mills and Mr. Jackson. I really do respect the fact that you have kept this business going for 115 years, Mr. Mills. That is very impressive. I am wondering, did you benefit from the corporate tax cuts from 35 percent to 21 percent in trying to meet some of your needs? You waxed on about the inflation and the numbers of other problems that you—I am wondering, did you benefit from that tremendous tax cut?

Mr. MILLS. You know, I saw that question coming. And I actually asked my bookkeeper, and he said, well, that would have been beneficial if we were profitable.

Ms. MOORE of Wisconsin. If what?

Mr. MILLS. If we were profitable. So we were just really getting by because of the cost. So we were really operating at virtually a break even or slight loss. And so, unfortunately, we didn't get to see the benefits of that.

Ms. MOORE of Wisconsin. Okay. So thank you for that. That is just good to know.

You said that you hired some roustabouts. I looked that up. I didn't know what that was. I thought you were talking about my great-grandchildren. And that seems to be a very difficult job. I mean, to physically—having to workforce division. And that doesn't seem to be a job that, even 50 years ago, I personally would have been able to do. Just heavy lifting, digging ditches, holes.

So, when you—you know, so fortunately, we haven't raised the—the minimum wage has not been raised around here. It is still $7.25—offering $18 an hour, which is, you know, only about 63 percent of the median income here in Oklahoma. How did you arrive at that?

I was riding around yesterday with Uber drivers, and they said, you cannot live here without a car and get to your job, for example. The housing prices are high. We are talking about men working now, I think. So, I am not even going to get into childcare with you.

Did you think about some sort of transportation program or housing assistance or anything, paid medical leave, any of these supports for your employees to offset that $18 an hour salary? Because after all, they can go work for Walmart as a packer and make $29 an hour.

Mr. MILLS. We don't see much of that here in Oklahoma. I don't know about what the Walmart people are—I mean, everybody I talk to at Walmart are working part time with no benefits and things like that.

Ms. MOORE of Wisconsin. Right. There is just sort of this notion that people are just lazy and they don't want to come to work. And I am just wondering, I mean, it costs money to go to work. And if you don't have a car, how do you get to your job? And then I heard that the jobs are, like, 12-hour long days. So I don't know who picks up the kids from school. How does any of that happen?

Let me ask Ms. Kantz some questions here. I'm talking about the female employment. And you have already discussed the fact that there is a very high 20 percent child poverty rate, which concerns me. A very high incarceration rate among women here as well. So, I specifically want you to talk about how the Earned Income Tax Credit maybe does or does not void the plight of workers, particularly single workers? I want you to answer that, and then I want you to also talk about child poverty in the State.

Ms. KANTZ. Thank you, Representative. For working families with children, the EITC or Earned Income Tax Credit is a powerful wage subsidy. It and the Child Tax Credit can offset their payroll tax liabilities and additionally supplement their earnings. The standard deduction, EITC, and Child Tax Credit are set at levels that ensure that families with children don't have net Federal tax liability if they earn poverty-level wages.

Ms. MOORE of Wisconsin. Reclaiming my time. We have five seconds left.

I just want to say that I was fact-checked once, and I want to put it in the record, Mr. Chairman. People are—low-wage workers are taxed into poverty because of the way the Earned Income Tax Credit is structured.

Would you agree with that, Ms. Kantz.

Ms. KANTZ. I would.

Ms. MOORE of Wisconsin. All right. So I don't have much time, but I do want to make sure that, you know—that this committee revisits the Earned Income Tax Credit because it is a great program for helping people get out of poverty if it would actually do that.

So I would like, Mr. Chairman, to enter into the record that fact check. And I also want to enter into the record something very disturbing to me about the incarceration rate of women in Oklahoma for child abuse. I mean, that includes not having enough money for food, rent. And I am very concerned that we are imprisoning women for being poor.

Mr. Chairman——

Chairman SMITH. Without objection——

Ms. MOORE of Wisconsin. I yield back.

Chairman SMITH. So ordered to put in the record.

Politifact[1]

Gwen Moore stated on October 30, 2021 in TV interview:

“If you’re a low-wage worker and you’re single and don’t have children, we’re literally taxing you into poverty."

Yes, it is possible for low-wage workers to be taxed into poverty

IF YOUR TIME IS SHORT

- The federal Bureau of Labor Statistics says there are about 1.1 million workers with wages at or below the federal minimum wage, making up 1.5 percent of all hourly paid workers.
- Moore, in her statement, did not define the terms she was using, but experts we talked to were able to create plausible scenarios and found that -- in at least limited scenarios -- she is on target

After months and months of the ongoing debate over the various plans and proposals being considered in Washington D.C., it’s rare to see a new argument emerge.

But in an Oct. 30, 2021 appearance on MSNBC, U.S. Rep. Gwen Moore, D-Milwaukee, offered this case for supporting President Joe Biden’s Build Back Better plan.

"The framework is much more than a social safety net program," Moore said on "Velshi," an MSNBC program hosted by author and finance correspondent Ali Velshi. "I think these programs contribute as much to our growing economy as anything. What good is growth if we’re taxing our workers into poverty?"

Moore went on to say: "If you’re a low-wage worker and you’re single and don’t have children, we’re literally taxing you into poverty."

Is Moore right?

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[1] https://www.politifact.com/factchecks/2021/nov/11/gwen-moore/yes-it-possible-low-wage-workers-be-taxed-poverty/

Doing the math

When asked to provide backup for the statement, Moore's office directed PolitiFact Wisconsin to a July 2020 report from the liberal Center on Budget and Policy Priorities.

The report focused on a provision in the plan that would temporarily extend the Earned Income Tax Credit to about 17 million low-wage workers. The report said, in part:

"The federal tax code currently taxes about 5.8 million low-wage workers aged 19-65 into or deeper into poverty, because the payroll and (in some cases) federal income taxes they pay exceed any EITC they receive."

That's generally on point, but does not cover the "single" and "no children" aspect of Moore's claim. So, we reached out to other experts on the topic.

Let's start with the terms involved and some basic data.

The Bureau of Labor Statistics, part of the U.S. Department of Labor, does not use the phrase "low-wage worker." However, the agency does publish an annual report and data on workers with hourly earnings at or below the prevailing Federal minimum wage.

According to the February 2021 BLS Report:

In 2020, 73.3 million workers age 16 and older were paid on an hourly basis, or about 55.5 percent of all workers. About 1.1 million of those, or 1.5 percent, were paid at or below the federal minimum wage of $7.25 an hour.

What's more, according to the report, among workers paid an hourly wage, those who were single were more likely than married workers to earn the federal minimum wage or less.

And about 60 percent of those in the hourly-wage category worked in the hospitality industry, meaning bars, restaurants and food services. Low wages are common in these fields, in part because workers typically supplement their pay with tips.

When asked about Moore's claim, Christopher Wimer, senior research scientist at Columbia University's Center on Poverty & Social Policy, told us he would need more precise definitions for "low-wage," "worker" and even "single without children."

Since Moore’s statement did not address those details, Wimer, who conducts research on the measurement of poverty and disadvantage as well as historical trends in poverty, constructed his own measurement. He chose 2017 to 2019, because 2020 was an unusual year with COVID-19 job losses, stimulus payments and more.

He defined low-wage as being in the bottom quartile -- that is the bottom 25% -- of annual income from wage and salary income (among those with at least some wage and salary income, so a "worker"). Then he selected adults who lived with no other family members (including any children, so single with no children).

The bottomline: "For those folks, their poverty rates are indeed higher after you use after-tax income."

That is, about 49 percent fall under the poverty rate after taxes, but if you take out federal, state and payroll taxes, the figure would be more like 41 percent.

Elaine Maag, a principal research associate in the Urban-Brookings Tax Policy Center at the Urban Institute, said Moore's comment "is not only plausible, but in limited contexts -- true."

Maag pointed out that in 2020, the official poverty threshold for a single person under age 65 with no children in the home was $13,465. (For a married couple younger than 65 with no children, the threshold was $17,331.)

"If I select a household with income just above that threshold, you can see that after tax, their income will be below $13,465," Maag said.

Our ruling

Moore said "If you’re a low-wage worker and you’re single and don’t have children, we’re literally taxing you into poverty."

Moore, in her statement, did not define the terms she was using, but experts we talked to were able to create plausible scenarios and found that -- in at least limited scenarios -- she is on target.

For a statement that is accurate but needs clarification or additional information, our rating is Mostly True.

Our Sources

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Oklahoma's "Child Abuse" Law Doesn't Protect Children — It Criminalizes Mothers[1]

Instead of protecting children, an Oklahoma law incarcerates mothers for being victims of violence or poverty.

By Victoria Law , TRUTHOUT November 19, 2022

Karina had been looking forward to Christmas. In November, she had reunited with her 6-year-old daughter, who had been staying with Karina's sister after Karina was evicted. That month, the family celebrated Karina's younger daughter's first birthday — complete with her first teetering steps.

Karina moved in with her father and, trying to save for her own apartment, had been working two full-time restaurant jobs, often going straight from one to another. Although she was an enrolled member of the Shawnee, she was too far from the tribal area to utilize their assistance.

Instead, she relied on her boyfriend to care for her 1-year-old. Although he was not the father of either child, Karina had no reason to distrust him. She had seen him with his sister's children, with whom he spent every weekend, and, she told *Truthout*, "he was good with kids." Karina called regularly to check on them. He always told her that everything was fine.

On Christmas Eve, Karina woke up to find her baby no longer breathing. "She was already cold," she recalled. Later, she learned that her boyfriend told police that he had choked the baby with a stuffed animal "because he would get frustrated due to her crying all the time."

Ultimately, her boyfriend was convicted of child abuse and sentenced to 20 years in prison. He was released in 2019 and is serving the remaining 10 years on probation. Karina went to trial. She was convicted of child abuse and sentenced to 65 years in prison. She has served 18 years and remains in prison today. *Truthout* agreed not to publish her legal name in this article (Karina is a pseudonym) because women with child abuse convictions are often bullied in prison.

Karina's case is not unusual — at least not in Oklahoma. The state has long held the dubious distinction of having the nation's — and the world's — highest

[1] https://truthout.org/articles/oklahomas-child-abuse-law-doesnt-protect-children-it-criminalizes-mothers/

incarceration rate for women. While it has now dropped to second place (behind Idaho), it nonetheless has more than double the national average.

“Since 2016, the women’s prison population has declined 30 percent,” Jasmine Sankofa, policy and research manager for FWD.us, which advocates for criminal justice reform, told *Truthout*. But, she added, “a lot of the gains from reforms have focused on nonviolent offenses, low-level property and drug offenses. It’s time for Oklahoma to shift and focus on other offenses that are really driving the women’s prison population.”

This includes the state’s child abuse and neglect statute, under which one in every six (or 16 percent of) incarcerated women in Oklahoma is imprisoned. The statute encompasses a broad range of circumstances, including living in poverty, experiencing domestic violence, and having a partner who injures or kills a child. The state classifies child abuse and neglect as a violent offense, regardless of the facts, which means that those convicted under the statute are not eligible to earn time off until they have served at least 85 percent of their sentence.

It is also the most common conviction for women in Oklahoma’s prisons.

“Failing to Protect,” a new issue brief by FWD.us, details the ways in which Oklahoma’s child abuse and neglect statute unfairly punishes mothers and further endangers, rather than protects, children.

While every state prosecutes parents and caregivers for child abuse and child neglect, Oklahoma’s statutes are broad, vague and open to interpretation. For instance, state law defines child abuse as “willful or malicious harm or threatened harm or failure to protect from harm or threatened harm to the health, safety, or welfare of a child.” As the brief summarizes, the state defines child neglect as “‘the failure or omission to provide … adequate nurturance and affection, food, clothing, shelter, sanitation, hygiene, or appropriate education, medical, dental, or behavioral health care, supervision or appropriate caretakers, or special care made necessary by the physical or mental condition of the child’ in addition to abandonment and the ‘failure or omission to protect a child from exposure to’ illegal drugs, inappropriate content, and other illegal activities.” Both can carry up to a life sentence.

The statute also allows prosecutors to charge a parent or caregiver with enabling or permitting child abuse, more commonly known as “failure to protect.” The report found that over 300 people had been charged with failure to protect since 2009. In

13 Oklahoma counties, 93 percent of those convicted were women. Half had been abused by the person who had hurt their child, and one in every four women were sentenced to more time than the harm-doer.

Truthout heard from more than half a dozen people sentenced under this statute. Their crimes ranged from driving without a car seat, to having a newborn test positive for methamphetamine, to being unable to protect their children from an abusive partner's violence, to injuring their children.

"The Oklahoma child abuse and neglect statute sets an expectation that mothers be all-knowing and that somehow harshly punishing them will keep kids safe in the future," said Sankofa, who authored the issue brief. "If this were true, Oklahoma would be ranked the best in the country for childhood well-being, but that is not the case. Oklahoma ranks in the bottom as one of the least-healthiest states for women and children."

Criminalized for Being Victims

Women of color are disproportionately impacted by both domestic violence and criminalization. In Oklahoma, Black women make up 7 percent of the state population while Indigenous women make up 8 percent. But in the state's women's prisons, 18 percent are Black and 17.5 percent are Indigenous.

Indigenous women are sentenced to prison 2.6 times more often, and Black women 1.9 times more often, than their white counterparts for child neglect.

At the same time, women of color are more likely to be killed by their intimate partners. In 2021, women in Oklahoma made up nearly 70 percent of victims of intimate partner homicides, and nearly one in four were Black and more than 1 in 10 were Indigenous.

Furthermore, state law does not allow an affirmative defense, which would allow them to introduce evidence of the mother's own victimization.

That's what Tondalao Hall learned. Hall, then age 20 and a Black mother of three, had been trying to end her relationship with her abusive boyfriend, Robert Braxton. He choked her, punched her, threw objects at her and verbally abused her.

In 2004, she returned home to find that Braxton had injured her two youngest children. She brought them to the hospital where her 3-month-old daughter was diagnosed with broken ribs and a broken femur.

"At the hospital, I didn't say anything because he had already threatened me," Hall told *Truthout*.

Both adults were arrested for child abuse. Even after she was taken to the police precinct and later booked at the local jail, Hall remained afraid of Braxton. "He was threatening me through letters," she recalled. "He sent me a [picture of a] hand and said, 'Slap yourself, bitch.'"

Hall knew nothing about the legal system. When she first heard that she was charged with permitting child abuse, she recalled that she didn't know what the word "permitting" meant. In 2006, two years after she brought her children to the hospital, she pled guilty to that charge. The judge sentenced her to 30 years in prison.

That same year, Braxton, who had spent the past two years in jail, pled guilty. He received a 10-year suspended sentence and was released from jail.

"There are so many stories about mothers who did not cause the abuse," Sankofa told *Truthout*. But prosecutors proffer the theory that moms should be all-knowing "and that they should have done any and everything to shield their children from potential abuse and neglect. This idea that moms are somehow responsible, even more so when their children is harmed, is why moms ultimately end up getting lengthier prison terms."

An Absence of Seat Belts Equated With "Beating and Injury"

While women of color are disproportionately affected by both domestic violence and criminalization, the statute has also ensnared white women whom the legal system punishes for their co-parent's transgressions.

In 2002, Geneva Phillips, a white mother of three, had separated from her children's father. He proposed that, despite their separation, she and their children, then ages 8, 4 and 3, continue their family tradition of celebrating July 4 at Lake Tenkiller. Phillips agreed.

After the weekend, her ex agreed to drive them back to Tulsa, where Phillips was living with a relative. They piled into his car which he had been in the process of restoring. Sometime in that process, he removed the seat belts in the back seat.

Not long after they began the hour-and-a-half drive, they encountered a police roadblock.

Because her ex-partner was driving on a suspended license, the police searched the car and took the children to foster care. (Later, the children were released to their great-aunt.) Both parents were arrested and, although no child was hurt, charged with permitting child abuse for allowing the children to ride in a car without seatbelts.

“I sat in jail three weeks,” Phillips told *Truthout*. “I had never been away from my children before.”

It was the third week of July before Phillips was brought to court for a hearing. When she realized that her next court date would not be until October, she pled guilty. “There was no way the kids’ great-aunt would be able to keep them for three months! Three weeks was pushing it!” she explained.

That conviction appeared on background checks when she applied for jobs, housing and even supplemental Social Security. “It is so shameful,” she recalled. “Even knowing *why* I have that felony and what *actually* happened as opposed to the charge itself, it is still so shaming when people ask you to explain why you have a conviction for ‘the beating or injury of a child.’ Every time I explain, it is the underlying knowledge that people believe what the background check says, often over the truth.”

“Somebody Really Needs to Change That Law”

Tondalao Hall spent 15 years in prison. During that time, she met many other women who received sentences exceeding those of the abusive partners responsible for injuring or killing their children.

After a spate of articles highlighted the injustice of her prosecution and sentence, the state’s pardon board recommended that the governor commute, or shorten, her prison sentence. He did and, in 2019, after spending 15 years behind bars, Hall walked out of prison and rejoined her family. By then, her children were adults — ages, 23, 19 and 18 years old. She also had two grandchildren whose births she had missed.

“We can’t get that time back,” Hall reflected. “Somebody really needs to change that law and make it retroactive because there are so many women in there who should not be there.”

State legislators have made some attempts with bills that allow abuse survivors to present an affirmative defense, and, more recently, separate child neglect from child abuse and create maximum sentences (rather than potential life sentences) for both. None of these bills passed.

Karina remains in prison. In 2009, she reached out to an attorney, who helped file an application for commutation. The detective who investigated her daughter's death sent a letter of support, stating that he had initially filed charges only against Karina's boyfriend. Then, according to his letter, then-district attorney (Wes Lane of Oklahoma County) "very strongly" requested that he file charges against Karina for allowing the child abuse to occur.

"I personally felt that the charge against [her] was not warranted, and I also felt that I was forced to file that charge against her," he wrote. "This case has bothered me from the get-go and even more so when it was learned that [she] received 65 years for the charge.… I have had restless days/nights thinking about the injustice of the sentence. I feel that [she] should not be in prison and should be released."

The state's pardon and parole board refused to consider her case for commutation. Without a commutation or a change in law, Karina must serve at least 85 percent (or 55 years and three months) of her 65-year sentence before becoming eligible for parole. By then, she will be 78 years old.

The gentleman from Pennsylvania, you are recognized.

Mr. SMUCKER. Thank you. Thank you, Mr. Chairman. Thanks for holding this hearing here.

My District in Pennsylvania is an ag district as well. We have a lot more dairy cows than we have beef cattle, and a lot of egg-laying hens, but agriculture nonetheless. And then manufacturing as well. We like to call ourselves the snack capital of the world, both salty and sweet. We are close to Hershey's and Mars and many others.

But I was a small business owner myself from the time I was 17 years old out hanging drywall, and then I built a small business that still exists today with several hundred employees, a regional leader in commercial contracting. So I see the power of an economy that provides opportunity for people, and the power of jobs to provide opportunity for people.

And in fact, I ran first for the State Senate and then for Congress to really work—I had seen the growth of government that really intruded in all aspects of our lives and made it much harder for a 17-year-old to run a business. And I really ran to kind of fight back against that, both at the State level and then at the Federal level. So I hear what you are saying and can relate to what you are saying.

And I think the ranking member made a statement this morning that I think was important. And that is, we should be able to have discussions about what really works best to lift people out of poverty to help individuals achieve their own American dream. And we have differences of opinion in how—what is the best path forward. But we ought to be able to have these discussions. So I appreciate everyone being here in the room talking about this.

But it is pretty clear there is a difference in how we as Republicans and how Democrats approach these issues. I think we can agree that, you know, we are all thankful that we live in a country—and to your point, Mr. Mills—that does help those who really need help. And you saw that as mayor. And I have seen that in my community, and I am grateful for that.

And then beyond that, we talk about, what is the best way to lift people out of poverty? And I think, in general—and I am very much overgeneralizing some of the things you are hearing from the Democrat side today—rely more on government than what we prefer to. We believe that—in the power and the ingenuity of the American people.

Wouldn't you all agree, and I am just curious, the best way to help people, lift people out of poverty, is to provide them with a job and to connect them to the job? Do you all agree with that? I see heads nodding.

Mr. MILLS. I agree. And, you know, I was just thinking that same thing, when this question came out, that the path out of poverty is a job.

Mr. SMUCKER. So how do we do that? Does the government create jobs or do businesses?

Mr. MILLS. Well, you know, we have jobs. We need to help them with skills. And they need to have some basic skills.

Mr. SMUCKER. Yeah.

Mr. MILLS. But just like, you know, what has been mentioned here, a lot of times, we have someone with basic skills, and we can train them to do—because every company is different. We all do things a little differently. But we can help train them. We also send some of our workers into CareerTech to upscale their abilities. We have one of the best CareerTech systems in the world, really. People come here just to study our CareerTech system.

Mr. SMUCKER. I agree. And I am going to run out of time. I want to make one additional point. And I appreciate your commitment. Because it is a really important function to find ways to ensure that individuals are prepared for the jobs that are available today. Nothing better than lifting people out of poverty than that.

The ranking member also mentioned the success of the American Rescue Plan. And some of us believe that that created the inflation that has hurt everyday Americans in a degree that has been very, very harmful to families. And nowhere, I think, than during the discussion of that bill was our difference in approach more evident where the bill incentivized people to stay home, which I thought was terrible to put people in a position of earning more if they stay home. They had to make that tough decision. I am going to stay home so I can provide for my family.

Our idea was to provide a $1,500 incentive to have people go back to work. What is your reaction to that? Do you think that would have worked better than what we have now?

Mr. MILLS. I think that is a good start. I mean, you know, we have got to get something to get them moving. And I think we—I am trying to think if that happened here in Oklahoma. I know we talked about it. I know our governor talked about that, providing that incentive. I can't remember if it happened or not.

But I think it worked because things have gotten a little bit better since then. We still are struggling to find those skilled workers. But, again, any incentive we can to get people back to work, it would be welcome.

Mr. SMUCKER. Thank you. I am out of time.

Chairman SMITH. I thank the Representative.

I recognize the gentlelady from West Virginia, Mrs. Miller.

Mrs. MILLER. Thank you, Mr. Chairman, and Ranking Member as well.

Thank you all for being here today.

I feel that policymakers don't always respect or truly understand what job creators, business people go through and the risk they take every single day when they open their door, whether it is a glass door, a fancy wooden door, or a truck door. You take risks every single day, and you care about your employees, because without them you can't do a good business. So I am looking forward to hearing more from you on your ideas.

Mr. Brevetti, thank you for being here. You know, the independent oil and gas producers are so essential to securing our American energy and our way of life. Without producers like you, it would be much more costly for Americans to keep their lights on and our cars powered.

The Democrats in Congress have consistently used the Tax Code to discriminate against American energy producers, from attacking deductions for intangible drilling costs to propping up unreliable green energy through billions of dollars of subsidies. Democrats have shown that they are more willing to pick winners and losers.

Can you explain how higher taxes on America's most abundant energy resources, like coal, oil and gas, impact the price for our consumers?

Mr. BREVETTI. Yes, I can. Thank you, Representative Miller.

Every dollar that you pay in taxes is $1 less you are investing into your business, and in our case, our business is very risky. All ventures don't work. You are at the vagaries of mother nature in the sense that when you—you put a dollar in the ground you get $2 back, $3 back or you get none back.

So punitive tax codes do no good. We should be encouraged to take these risks and invest the money, and the benefits are twofold: There is benefits to the consumer, you know, the more hydrocarbons we can produce in this country, the lower the costs are going to be to the consumer; and the other benefit is the tax revenues that are going to come from that.

And those tax revenues are going to come not just from the production of the oil and natural gas and our business but from the taxes that all of the workers pay that go into the hundreds that are needed for every well that is drilled and completed.

Mrs. MILLER. Well, you know, President Biden, when he decided to release millions of gallons of oil from the strategic petroleum reserve in a failed attempt to artificially lower our prices, how can small producers, like Charter Oak, compete against the Federal government in pricing oil?

Mr. BREVETTI. That is on outstanding point and a great question, because I believe the amount of oil released initially was 180 million barrels, and then I think it was followed up with another 23 million barrels this year. That is over 1 million barrels a day. To put that in perspective, that is about just almost 10 percent of U.S. production.

So it would have been—it was not for any sort of national emergency. It merely affected the economy. It did temporarily drive the prices down, but even if the strategic petroleum reserves are never replaced, that million barrels a day of production is off of the U.S. market. So now, the demand hasn't changed, so us producers have to now come up with that extra million barrels a day. That is probably going to raise the price of oil to all consumers in the U.S.

Mrs. MILLER. And it will continue to do so.

Mr. Jackson, when you spoke, I am sitting here going, boom. I enjoyed hearing everything that you had to say. I have a very small farm near Milton, West Virginia, and I raise grass-fed bison. At one time, I had as many as 100 animals, which is pretty tiny to a lot of you, and we are down to about 30 now, since I have been in Congress for the last 4 plus years, because we just can't, you know, handle what we do. I still warm the animals three times a year, and it is a three generational thing. It is really cool to see my 13- and 15-year-old grandsons finally strong enough to pull those gates when those animals are, you know, trying to get through.

So you built your business during one of the most challenging economic times our country has faced. Have things gotten better or worse for you since you started your business, and what is your biggest challenge?

Mr. JACKSON. I would say, our number one challenge is definitely labor, and it was challenging. And speaking of bison, that is why we had to reinforce our facility more just so we could handle those bigger animals. It gets your adrenaline going, working those, but they are definitely majestic creatures.

I would say, if I could offer one idea though for how to entice people to come to work though, it would be to offer them hope. That is what we need as a Nation is for people to hope that things can get better. And I think we owe it to each other to share that knowledge of what we have learned so people can walk in the door with zero experience. They can learn some tangible, vocational skills, things that we had to learn on the fly that we couldn't go to a school for and walk away with some real skills they can use somewhere else.

And that is empowering for people to have that, to know they have hope that they can make their life better for their family. And then with that, we have to coach and mentor. We have to have people grow in their jobs. And we look at it more as not transactional, but it has to be relational. And we benefit from that as a small business to see firsthand people's lives, what they struggle with, and then help as best we can from our vantage point to make their life better.

Mrs. MILLER. Thank you.

Ms. Payne, I do have to tell you that I processed all of our animals. I was always in there when we did it. Thank you.

Chairman SMITH. I want to thank the gentlelady, and recognize the representative from Michigan, Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman. Can you hear me? Okay.

And thanks to the witnesses for your testimony, to all of you for your service to our country, Mr. Jackson, you in particular. One of the great experiences all of us get to have is to travel to West Point or to any of the academies and meet the young people that we nominate to those institutions. And I just want to say to you how much I enjoy that and appreciate it, particularly appreciate your willingness to serve our country in the fashion that you have.

You know, driving out here or riding out here on the bus, it looked like I was in any part of my district. A lot of folks, you know, have an impression about the district I represent because of my hometown getting some of the attention that it does. I am from Flint, Gwen. But most of the people and most of the district that I represent looks just like the country that we drove through. I have conversations just like this one in my district every single week. I represent a lot of growers, a lot of folks in agriculture, and I appreciate the perspective that you bring, and it is an important one.

I also think, you know, the institution of Congress can do better in terms of having civil dialogue. I wax nostalgic thinking about Mr. Lucas when he was the chair of the Agriculture Committee and how during that period of time, despite the fact that we had differences, we were able to come together on a farm bill that was good for Americans, good for the American economy.

And I just hope that as we go into another year writing a farm bill that we are going to be able to draw on that example that you set, along with our friend from Minnesota, who is no longer in Congress. That is an important statement.

And I just want to say that out loud, because listening to the dialogue here one might get the impression that there is two distinct un-overlapped philosophies of government. That is just not true. We all have different perspectives, we come from different life paths, but we have a lot in common, and we ought to not allow our differences, as significant as they may be, cancel our areas of agreement. And as I said, Mr. Lucas showed that when he was the chair of the Ag Committee. I hope we can find a path forward in that same light.

I would like to emphasize and ask Ms. Kantz a question. You know, one of the challenges that we face, and I know this is true here in Oklahoma, is that our Tribal Nations, sometimes it is going to operate in two distinct spheres. There is an impression over the last few decades that Tribal Nations have done extraordinarily well. Well, that is not true entirely. Some of the highest poverty rates, some of the most difficult challenges around health, around income, around economic disparity is found in Indian country.

One of the things that Congress has failed to do is to create parity for our Tribal Nations when it comes to the use of those tools of the Tax Code that do—I am sorry. I guess you couldn't hear me. I won't start over, although I could. The tools of the Tax Code, which is the mechanism for incentives for private investment are not equally available in Indian country.

Something as simple, for example, is the ability to issue tax-exempt bonds the way every government pretty much finances large infrastructure improvements, which is a key to economic development, is locked away from those Tribal governments. Other uses of the code regarding housing policy are not readily available. And I wonder if you just might comment on how that impacts the economy and what difference it would make if this committee and Congress could get together, as Republicans and Democrats now have expressed, and share those tax benefits with Indian country.

Ms. KANTZ. Well, thank you, Representative, and I agree with you. I think in any chance we get that we can put our people over politics we should be doing that, so thank you for those words.

But I think, just to be very blunt, we need to be talking to our Tribal Nations. We need to talk to the 38 federally recognized Tribes that are in Oklahoma and listen to them and hear what the challenges are. Similar to, why is our workforce not coming to work? Are we talking to them? Are we asking them what is keeping you from work? So how would that participation look for the Tribes.

This is a space where the United States should honor the sovereignty of the Tribal Nations and have good-faith negotiations to ensure that all parties can agree on equitable approaches to strengthening economic conditions for not just Oklahoma citizens and U.S. citizens but Tribal Nation citizens. I have got dual citizenship as I sit here, as a Cherokee Nation citizen and as an American citizen. And the Tribes do have a huge impact on our economy, and it really has proven that when we work together we are better.

The Tribes have very much—I can speak from personal experience from the help with school supplies, the help with housing, the help with healthcare that we have received, as for my family for Tribes, it matters and it makes a difference in Oklahoma.

And there is so much impact that these Tribes are having in rural Oklahoma especially. I know the Chickasaw Nation, the Cherokee Nation, they are really working to reach those folks who are outside the metros that are struggling.

So I do think that we have to work together. We are all so wonderful, smart, innovative folks in this room, and if we put our politics aside and do what is best for just working-class Americans that don't maybe have the privilege or the advantage that we were born with or that we were provided, then we are all going to do better.

Mr. KILDEE. Thank you.

Thank you, Mr. Chairman.

Chairman SMITH. Thank you, Representative.

I recognize the gentleman from Tennessee, Mr. Kustoff.

Mr. KUSTOFF. Thank you, Mr. Chairman, for convening us here, and to all members who have appeared, and certainly to the witnesses who are here with us today. I think we have learned a lot so far from your testimony.

If I could, Mr. Mills and maybe Mr. Jackson, you have talked about the challenges with labor. Mr. Mills, I think you talked about the incentivizing or maybe the decentivizing, from the hiring and retaining of employees, which are two distinctly different things. If I could, Mr. Mills, maybe anecdotally, can you tell the committee what you have heard from potential employees when you tried to hire them and had trouble and maybe also what you have heard when you have had challenges retaining those employees?

Mr. MILLS. You know, one of the problems is getting them to come to an interview, just showing up. I mean, you know, you go out there and advertise or work with Indeed or whatever and they make an appointment to come and they just don't show up.

Mr. KUSTOFF. Do you have an opinion why?

Mr. MILLS. No. I wish I knew, because, you know, you have this—the job is clear, the pay is clear, and they just don't show up. And then, you know, you try to get ahold of them, and they just don't answer. So I wish I knew. I don't have the answer for that, but, you know—so you just continue to—we just keep going until you find someone that does show up, and I don't have the benefit of that knowledge.

Mr. KUSTOFF. You had those challenges before COVID. Those challenges have been exasperated after COVID. Is that fair?

Mr. MILLS. That is fair to say. We had some of that problem before, but it has gotten way worse, and I don't know why. I wish I knew the answer if we need to do something different. I don't know what it is personally. So I don't have an answer. I am sorry.

Mr. KUSTOFF. Thank you, Mr. Mills.

Mr. Jackson, what are some of the things you have heard as either you have tried to hire employees and maybe they don't take the job or they won't show to work and also about retaining some of those employees?

Mr. JACKSON. The hardest thing I think, and I share in that same frustration, is people sometimes have someone else come pick up an application for them. They don't return the application. If they do come to the interview, they don't show up on their first day of work. So there is a series of challenges that we have leading up to someone starting on their first day, and I think that is attributed to just a lack of desire on the part of people to put the work in that is needed to actually show up to work.

And we have even had some employees that they have left on their own accord, they have quit, and then a week later I receive a call from the organization asking about SNAP, EBT benefits, because the person says they were terminated instead of quitting. So I deal with that often, in addition to issues with child support of delayed payment because of a lag, and those agencies knowing where people are. And so I handle a lot of paperwork in terms of helping them try to play catchup with that, so there is a lot of different things that we deal with that are outside of the actual production of work.

Mr. KUSTOFF. Thank you, Mr. Jackson, and thank you for your service to our Nation.

Ms. Payne, if I could with you, I would like to follow up maybe in a different way from what Mr. Lucas asked you, and that is about waters of the U.S. You testified about that in your testimony. You are speaking to the Nation. This hearing is being broadcast. You are obviously speaking to people who live outside of rural America. Can you talk about, from your standpoint as a rancher, as a grower, what the practical, pragmatic effects of the waters of the U.S. would be if implemented, how that affects you and other ranchers and growers?

Ms. PAYNE. Thank you for the question. I can speak specifically to our operation. Our southern border of our farm ranch is a river, the South Canadian River, easiest place in the world to find. Most people drive by it on a regular basis. I am in Oklahoma City limits. We have a ditch in the front of our—in our yard. Now, it is dry. When we flooded, which is what brought us out of the last drought over 10 years ago, water, water everywhere.

It will affect everything that we do from a sprain, which we haven't been able to do, low lying areas. Our soil has changed during this drought. It changes every time. Water will stand where it wouldn't have stood before. There is nothing good that comes of this, in my opinion.

Mr. KUSTOFF. Thank you. My time is expired. I will yield back. Thank you.

Chairman SMITH. Thank you, Representative.

I would like to recognize the gentlelady from New York, Ms. Tenney.

Ms. TENNEY. Thank you, Mr. Chairman, and thank you to the witnesses. This has been tremendous.

And I just want to follow up on something that Mr. Hern said. He said that—how many people talk about things they don't know about, and I want to add that as a small business owner, how many of these people don't even try to find out the answers.

And so I thank the chairman for doing this and hearing directly from you about what your issues are as small business owners and the struggles that you face. And my business was started 77 years ago by my grandfather.

And we have similar issues in New York, but I will tell you, if you want to know about killing prosperity, this story of New York is how one party, Democrats, socialists rule, destroyed the State of New York. And I say that for a reason, because this isn't the days of Reagan-O'Neill that we once enjoyed as a country. There is a certain element in New York State particularly that is hurting our country and hurting our State in terms of regulations.

And I agree that there is a middle ground. We do need—and the mayor, thank you for saying this. We do have to care for the truly needy people in our communities. That is an obligation we have, and it is something that we all have a mission to do. But there is a middle ground between are we helping, hurting, and are we hurting our small business owners and our taxpayers.

And so I like when you said, when you were asked the question, how are your profits. That is a huge question in New York. Most of us don't have any profits. Boy, would I love to have profits. The only problem is when you get profits you issue dividends and you get taxed twice, so that is something that I haven't had the joy of experiencing.

But I wanted to just go back and just ask you a little bit about dealing with some of the issues as an employer, and I wanted to actually start with Mr. Jackson and go down the line. We really appreciate your service. West Point is wonderful in New York. My son is a Naval Academy graduate, so I appreciate the rivalry, but wonderful institution as well. So thank you so much for your service and honorable service.

But, you know, in terms of small business, you mentioned something, and this is something that when I go back to whether it is entitlements, one of the issues we face as an employer is many of our employees, our boomers who are coming back to work and many of them are already getting some kind of public assistance, so they are asking us to actually pay them less or to get less hours so that they can continue to work. Is that something that you are facing in your business, Mr. Jackson?

Mr. JACKSON. I am sorry, could you phrase the question differently so I can understand what you are asking?

Ms. TENNEY. Yeah. Are you having employees come in that don't want to work as many hours and are reaching a limit where they would not be eligible for some of the entitlements they may be getting, maybe in the case of seniors who are collecting Social Security don't want to, you know, impede or impinge on their Social Security or other people are receiving other types of benefits because they don't want to get to that level?

Mr. JACKSON. Absolutely, we have seen that.

Ms. TENNEY. Okay. How about Mr. Mills, with your organization?

Mr. MILLS. Yeah, we have seen the same thing. And, you know, my greatest—I have people ask me all the time—I am at retirement age, and they say, well, when are you going to retire? And I said, and do what? I like what I do. I am not just going to sit at home and die. I have to be doing something constructive.

My greatest fear is the employees that I have that have been with me 30 years, and I have many of those, 25 and 30 years, I am really more worried about them retiring. So I am doing all I can to work with them to keep them. They are my brain trust. And so these are concerns, because you have to—you know, I am on—you know, I have had to already apply, because I am 66, I will just tell you. But——

Ms. TENNEY. You don't look it.

Mr. MILLS. Thank you. I am concerned about my employees really facing those same things of not being able to make as much money in order to draw their Social Security. And so it is a concern, and it should be a concern for a lot of people in the workforce because these are people we depend on. They have so much experience.

Ms. TENNEY. Thank you.

I.am going to reclaim my time because I want to save a question for Mr. Brevetti. All great witnesses. But, you know, Joe Biden said in his State of the Union address that we only have about 10 years left of fossil fuels. I would like you to address what that would do to the economy since there are a lot of taxes on gas and other things that fuel our economy, run our infrastructure, our transportation. But also, would your community benefit most from a tax credit to help buy an $80,000 luxury electric vehicle or from policies that reduce gas prices? Can you kind of hit those two—two-sided question there.

Mr. BREVETTI. Well, I will address the first question about Biden's 10-year comment. Even the most liberal energy policy group, which I believe personally is the International Energy Agency, okay, the IEA, I think they show us using almost the same amount of oil in 2050 as we are using today. It kind of continues to rise little beaks and drops.

So oil is not going away. Its products are used in so many things besides for transportation, you know, tires on vehicles. Natural gas, of course, has so many other products. Fertilizer for our farms. I don't see us running tractors out of anything other than diesel, and if you are going to mine lithium and strategic metals, that is all going to be done with equipment that is going to be using diesel most likely. So I don't see that going away.

In the aspect of renewables, when the wind quits blowing, which it occasionally does in Oklahoma, you have to immediately come on with a backup power supply. So for every megawatt of wind you have got about an equivalent megawatt of natural gas combined cycle turbines that spool up. So that is not going away.

To the aspect of your second point on the electrification——

Ms. TENNEY. Tax credit for an $80,000——

Chairman SMITH. We need to wrap it up.

Mr. BREVETTI. Yeah, tax credits for $85 dollar bills, yeah, the people who buy those are wealthy. They don't need a tax credit. And, you know, in much of the country the world will electrify and is, but in much of the country it is not there yet. You know, you couldn't drive across the State of Oklahoma and not even to mention——

Chairman SMITH. Thank you all very much.

Ms. TENNEY. Thank you so much. I yield.

Chairman SMITH. Mr. Schneider, you are recognized.

Mr. SCHNEIDER. Thank you, Chairman Smith. I thank you and Ranking Member Neal for this opportunity to talk about the state of the American economy and how we are trying to help American businesses flourish and the American economy continue its strong growth.

I also want to thank the witnesses for offering your testimony on what workers and business owners need to thrive in this modern economy. Many of the things we have talked about today are echoed with what I hear from my home district in Illinois. And personally, I am excited to be here in Oklahoma. Much of my father's family traced their roots to this State. Having worked on a horse ranch in Colorado 40 years ago, it feels like coming home to be in this building.

I only wish we could have been here longer, had time to explore and learn and understand both the challenges and opportunities that the hardworking people of Oklahoma are pursuing and do much. That said, we all talk about government spending, and I wonder if spending a few hours in a rather cold room without time to actually tour the area or to meet and speak directly with the people is our best use of public precious resources of taxpayer funds.

Mr. Chairman, I would like to submit for the record an article from the New York Times talking about the impact of these road shows on committee budgets.

Chairman SMITH. Without objection, so ordered.

[The information follows:]

The New York Times https://www.nytimes.com/2023/03/05/us/politics/house-republicans-budget-travel-campaign.html

House Committee Budgets Swell as G.O.P. Plans Road Shows Across U.S.

Republican leaders have told their colleagues to get out of Washington for field hearings that allow the party to take their message straight to voters, a costly pursuit that can be a boon to big donors.

By Annie Karni and Catie Edmondson

March 5, 2023

WASHINGTON — When the House Ways and Means Committee traveled to Petersburg, W.Va., last month for its inaugural field hearing on "the state of the economy in Appalachia," it met at the headquarters of a hardwood lumber manufacturer whose chief executive has donated the maximum campaign contribution allowed to a Republican member of the panel.

The logo of his company was on prominent display during the event.

When the committee descends on Yukon, Okla., this week for its second field hearing, this one on "the state of the economy in the heartland," it will convene at Express Clydesdales, a restored barn and event space owned by a major donor to the super PAC aligned with Speaker Kevin McCarthy, the Republican National Committee, Senate Republicans' campaign committee and former President Donald J. Trump.

The owner, the business magnate Robert Funk, has also given the maximum campaign donation allowable to another member of the panel, Representative Kevin Hern, Republican of Oklahoma, for the past three cycles.

Determined to take their message directly to voters at a time when they are hard-pressed to get anything concrete done on Capitol Hill, House Republicans are increasing the budgets of their congressional committees and going out on the road, planning a busy schedule of field hearings in all corners of the country aimed at promoting their agenda outside the Beltway.

The Judiciary Committee, for example, which has held one field hearing at the U.S. border with Mexico to criticize the Biden administration's immigration policies and is planning more, requested a travel budget of $262,000 for this year. That is more than 30 times what the panel spent on travel last year. (In 2019, before the coronavirus pandemic significantly curtailed travel, the Judiciary Committee spent about $85,000 on travel costs, according to a public disclosure form, one-third of what Republicans are planning this year.)

It is part of a well-worn political strategy to reach voters where they live and generate local media attention for activity that would most likely draw little notice in Washington.

Representative Jason Smith of Missouri, the chairman of the Ways and Means Committee, said last week that he had "made it a priority" to take the committee's work "outside the halls of Congress, away from the politically connected voices of Washington lobbyists and into the communities of the American people whose voices have for too long been ignored."

But it also has a direct payoff for Republicans, allowing them to reward major donors with publicity and exposure for their businesses.

In West Virginia, the chief executive of Allegheny Wood Products, John Crites, whose company hosted the first Ways and Means field hearing, gave the maximum contribution allowed to Representative Carol Miller, Republican of West Virginia and a member of the panel, for the past two cycles.

A spokesman for the committee declined to comment on the choice of venues. Staff aides noted that some of the witnesses who they can hear from in remote locations may not have the time or resources to travel to Washington to testify.

Getting out of Washington and i[redacted] issued to their members, whose narrow, four-seat majority, coupled with deep party divisions, is making it difficult to pass any major legislation.

“One of the things we committed is we would bring Congress to the people,” Representative Steve Scalise, Republican of Louisiana, said at a news conference last week. “We’d actually have field hearings in communities across America to listen to real citizens.”

The uptick in budgets comes as Republicans are pledging not to raise the federal debt ceiling, threatening a first-ever default, unless Democrats agree to deep budget cuts and an end to what they describe as profligate bureaucratic spending.

Their plans to pour substantial money into field hearings have for the most part received little pushback from Democratic committee leaders, who hope to take back the majority in two years and are eager to codify the precedent of larger travel budgets.

“If we’re going to be able to do more field hearings, which I think are important, we are going to need more money,” said Representative Frank Pallone Jr., Democrat of New Jersey, who led the Energy and Commerce Committee in the last Congress and said his ability to hold such sessions was limited by a lack of funding.

But the focus on getting out of Washington also appears to be deepening partisan divisions on congressional committees, where Democrats are complaining about not being given enough notice about the travel, or rejecting field trips out of principle.

The Judiciary Committee’s hearing last month on the “Biden border crisis” in Yuma, Ariz., capped a two-day tour of the border where House Republicans accompanied law enforcement officials in an unsuccessful effort to see undocumented immigrants crossing the border.

Democrats on the panel boycotted that hearing, dismissing it as a political stunt and noting that they had not been consulted about it.

“It’s a shame that not one Democratic member of Congress would join us on this trip despite having weeks of advance notice,” said Representative Jim Jordan, Republican of Ohio and the chairman.

Representative Jerrold Nadler of New York, the top Democrat on the committee, said Democrats on the panel planned to make their own trip to the border to hear from government officials and community members.

“Republicans are so desperate to change the narrative from their failing agenda that they’re gearing up to spend millions of taxpayer dollars on political stunts,” he said. “These guys are roaming around the desert at night like part-time vigilantes, looking for migrants with their flashlights and with right-wing media outlets in tow. That’s not a solution; that’s a made-for-TV stunt.”

Only one Democrat on the Ways and Means Committee, Representative Donald S. Beyer Jr. of Virginia, attended the West Virginia hearing. “There was very little notice,” he said in an interview, explaining the absence of his Democratic colleagues.

Mr. Beyer said he worried about the cost of relying primarily on field hearings, which often require the use of chartered planes to get members on location. For the upcoming Oklahoma hearing, he said, “they’re flying most of their 25 members and at least eight Democrats — they’re flying them and feeding them. There’s no reason not do to it, but we still live in a world of scarce resources.”

Two different subcommittees of the Energy and Commerce Committee scheduled two different field hearings last month in Texas, roughly 18 hours and 600 miles apart. When inclement weather tanked the lawmakers’ commercial travel plans to get to the second hearing in Midland, they ended up chartering a plane to get them there in time.

The House Judiciary Committee, led by Representative Jim Jordan, Republican of Ohio, held a field hearing in Yuma, Ariz., last month. Randy Hoeft/The Yuma Sun, via Associated Press

Republicans said they were planning to ramp up the travel throughout the next two years despite the criticism, whether or not Democrats join them, and would need substantial budgets to accomplish that.

"We'd like to do a lot more field hearings," said Representative Cathy McMorris Rodgers of Washington, the chairwoman of the Energy and Commerce Committee. "The reality is they also cost a lot more money."

Representative Bruce Westerman, Republican of Arkansas and the chairman of the Natural Resources Committee, testified last week to the House Administration Committee, which oversees panels' budgets, that he anticipated his committee would hold "10 to 15" field hearings each year. That is a significant increase from previous years.

Some panels appear to be taking the mandate to travel to greater extremes than others. Representative Mike Bost, Republican of Illinois and the chairman of the Veterans Affairs Committee, said panel members should prepare to get "out in the field" at "the drop of a hat" to respond to crises at veterans' facilities across the nation. He requested a travel budget of $150,000, up from $100,000 last year.

So many panels requested more travel spending this year that it raised some eyebrows during the House Administration Committee hearing when some said they did not plan to do so. When Representative Tom Cole, Republican of Oklahoma and the chairman of the Rules Committee, testified that he was not requesting a budget increase for his panel, a G.O.P. member of the Administration Committee sounded surprised.

"You're not having field hearings in Alaska or anything?" asked the fellow Republican, Representative Greg Murphy of North Carolina.

Annie Karni is a congressional correspondent. She was previously a White House correspondent. Before joining The Times, she covered the White House and Hillary Clinton's 2016 presidential campaign for Politico, and spent a decade covering local politics for the New York Post and the New York Daily News. More about Annie Karni

Catie Edmondson is a reporter in the Washington bureau, covering Congress. More about Catie Edmondson

A version of this article appears in print on , Section A, Page 16 of the New York edition with the headline: House Committee Budgets Swell as Republicans Plan Road Shows

Mr. SCHNEIDER. Thank you.

And, Mr. Mills, I started my career in the oil and gas industry back in the mid-1980s, early 1980s doing accounting software. I very well understand the boom/bust cycle. I remember the bust of 1986. I wouldn't want to ever experience that again. And that was, I would argue, one of the toughest times this industry ever faced.

But I later spent much of the last 30 years afterwards working with private businesses advising mostly family businesses. I know that only one in three family businesses make it to a second generation, one in ten to a third. The fact that you are still in business after 108 years is really extraordinary and to be celebrated, and I wish you—or 115 years, since 1908—a lot there.

I also know from my experience that there are four key factors that businesses depend on for growth. One is a business model. Government has no role in that. That is up to each of you to decide the best model. But beyond that, it is access to talent, it is access to capital, and it is a stable business and political environment. Businesses thrive when they can make long-term decisions to make decisions into the future, confident that they are not going to see the pendulum swing, in particular in government, whether it is at the State house or in Washington.

That said, we also hear, and everywhere we go I am hearing about the challenges with labor. You all have touched on that. Every company I talk to, small, medium, large size, high-tech, the service industry says we are having a hard time finding people. And this is something we have seen over the last—more than 2 decades, a decline in workforce participation and people coming there.

There are things we can do. We need to educate our workforce. We need to make sure we have workers coming up. And I think the government does have a role in that. In particular, I applaud in my district the community colleges, College of Lake County is one example that is working very hard to do that, but we can promote that training.

In the coming days, one of the bills that I have been working on and will reintroduce is the Veterans Entrepreneurship Training Act.

And, Mr. Jackson, thank you for your service. My son is a Navy veteran. I represent Naval Station Great Lakes, so every recruit going into the Navy comes through my district, so I am in every way possible a Navy dad.

Our bill codifies and expands the successful Boots to Business program offered by the Small Business Administration. This is a program that provides entrepreneurship courses to people coming out of service, transitioning back into civilian life. And I am proud to be working across the aisle with the Small Business Committee Chairman Roger Williams in introducing this, and across the Capitol with Senators Durbin and Ernst in the Senate.

So, Mr. Jackson, I will turn to you. You served our country heroically. You came back. You are working in your community. You are making a difference. You have talked about the ups and downs, both personal and business. And you are working as a career coach with Federadi.

Can you share a little bit about your experience, what you have learned and what you wish lessons you could have been provided along the way, and how some of the challenges the veterans you are working with, what they face and how we can better export them.

Mr. JACKSON. I appreciate that question. I know we are short on time, but there are three things that I would want to highlight there. One is, I wish I had known when I was transitioning that there were more things available for people who wanted to start a small business. Most of what we were told about was vocational type training that was available.

So I would recommend maybe in partnership with the VA maybe—in partnership with the VA, maybe working with different ways to allow veterans to know what is out there, either vocational training to be a good employee or to start a business, so they know what tools are able to help them succeed outside the military.

Another way might be to have small business loans that would help with operating capital through SBA. That would be another helpful way.

And then we also have existing organizations that do a great job, Veterans of Foreign Wars, American Legion, things like that that are in place right now at no cost to veterans that are very helpful.

Mr. SCHNEIDER. Great. Thank you. And, again, thank you for your service.

Chairman SMITH. I want to thank the representative.

I recognize the gentleman from Utah, Mr. Moore.

Mr. MOORE of Utah. Thank you, Chairman.

Mr. Mills, as a father of four boys, 10 and under, I want to say how much I appreciate your comments about participation trophies, and wondering if you would be interested in a little league coaching job in northern Utah by any chance. I appreciate that, and I like that sentiment about labor.

I commend my colleague from Wisconsin for asking a very skilled and somewhat risky question to one of the majority witnesses. I am going to do the same risk by asking a question to the minority witness here, Ms. Kantz, and hope to see—I appreciated Mr. Mills' candor and hope the same from you as well. Would you say that you are at least, you know, supportive of the 2017 provision that doubled the child tax credit?

Ms. KANTZ. I would, yes.

Mr. MOORE of Utah. Thanks. So my point with that is, 2017 Tax Cut and Jobs Act, I was way on the sidelines, nowhere near Congress at the time. And I saw it, and I didn't know all of what to think about it. I wasn't dug into the details on it. It didn't fix a lot of our spending issues, but what it did was grow our economy. And is any bill in Congress perfect? No. But that bill grew our economy, and it strengthened, I believe, the American workforce.

And what we have seen since then—and I remember saying this when I was on the campaign trail in 2020, which was not a fun time to run for Congress. Hopefully it is the only time I ever have to first run for Congress. But as COVID was starting and ramping up, I remember saying to folks, we have the bones of a strong economy and will recover quickly from this. And I firmly believe that the 2017 Tax Cut and Jobs Act was a strong reason why we were able to bounce back, right.

We had Republican majorities with the White House in 2017; Democrats had the same in 2021. We do our priorities, right, and we try to get things done. We have a sincere effort, right. I will obviously, you know, lean towards a conservative point of view, and when those majorities existed that is what my focus is on.

But we right now as a committee have an opportunity to do something that I appreciate Chairman Smith's focus on and that is small business. And many of these tax provisions are set to expire, you know, have already expired, and we are working on figuring out what is the most important thing to do and what do we need to do to make sure that you all, many of you small business owners, have what you need to thrive.

So I would like to submit for the record, Mr. Chairman, a statement by Darrell Wilkerson, the owner of Wilkie Manufacturing, LLC, in Oklahoma City, Oklahoma, describing how soaring costs, supply chain issues, and labor shortages have severely hurt small businesses' ability to operate in today's economy.

Chairman SMITH. Without objection, so ordered.

Mr. MOORE of Utah. Thank you.

I have one simple question, and I am going to ask all of you to respond to it: What would you have us focus on with respect to making sure that your small business could thrive? What is one, maybe two things, just topically, and we will dig into the minutia of the tax provisions and all that, but what would you have us focus on?

Mr. JACKSON. I would say, being a new business, the biggest help we could have is probably better access to operating lines of credit for our cash flow situation. And then beyond that, just help us feel more empowered so that we can focus on helping our employees grow and bringing in and retaining that top talent, not worrying about how to pay our bills and things like that, but instead focusing on how we can make other people's lives better, the people we bring in the door, and help them then impact the community.

Mr. MOORE of Utah. Coach.

Mr. MILLS. You know, I raised two girls, so I didn't have to worry too much about little league stuff, so it might be kind of new for me. Although, I had my first grandson, so I may be getting involved in that. Thank you.

You know, everything, again, for me focuses back on workforce, because that is kind of what I have been involved in for a long time. And, you know, anything that you guys can do to continue to support the Workforce Act, you know, that is good Federal dollars that come down to the States and actually go help people, upskill, you know, and relocate, you know. If they are dislocated workers, they are able to be relocated into jobs. But that is one of the great programs, I think, that continues to work here. So I would encourage you to continue to develop those programs and workforce.

Mr. MOORE of Utah. Thank you.

Ms. Payne.

Ms. PAYNE. Yeah. Just watching the time, I would mirror their comments but also just minimal regulation. Let us work, let us create, let us prosper.

Mr. MOORE of Utah. Mr. Brevetti.

Mr. BREVETTI. Agree with the other comments, and, you know, please let us deduct our expenses when we spend them. You know, let's preserve the EIDC.

Mr. MOORE of Utah. Ms. Kantz.

Ms. KANTZ. I would dig into the barriers keeping people from work. What are we doing to get them to the job, and are they jobs that are going to be able to pay the bills?

Mr. MOORE of Utah. Thank you.

Thank you, all. Mr. Chairman.

Chairman SMITH. Thank you, Representative.

I recognize the gentlelady from California, Ms. Steel.

Mrs. STEEL. Thank you, Chairman Smith, for this important field hearing to learn more about the state of the American economy. Thank you for our guests for taking time away from their busy jobs to discuss how they have been dealing with the economic downturn for the last 2 years.

I represent southern California. California farmers and other small businesses have been facing supply chain issues and port delays raising production costs, including higher expenses for fertilizer and fuel, mega drought, and now unusual weather events. My congressional district has a front row seat to the port backlogs, which at its peak witnessed more than 174 idling and anchored ships off the southern California coast. I introduced the Supply Chain Task Force Act that would create an interagency task force to immediately work on addressing the backlog, and this was included in the NDAA.

I want to ask Mr. Mills and Ms. Payne, many families that run businesses in my district have shared the concerns with the future of their businesses. California progressive regulations have made it difficult for them to succeed. I always tell everybody, whatever you do exactly opposite of what California does, you are going to be successful. What obstacles are you currently facing and expect to face if we stay on the current track?

Mr. MILLS. If we stay on this current track, we are going to survive but we are going to be impaired, and it is going to be difficult to grow. You know, I just can't explain how painful the price increases have been and how hard it is to sell product, and especially worldwide to sell that product, you know. And, again, all this, to me, still goes back to workforce, because everyone down the supply chain has the same problem.

So to me it is really simple about supply and demand. You know, we have still great demand but less supply, so the prices are going to continue to go up. And despite the feds continuing to raise the interest rates, the pain has evidently, pain threshold has not been reached yet, I suppose.

But we are going to see continued problems here because of these escalating prices. At some point, we are going to hit that tipping point where my customers are going to say, I am not paying that and, you know, then things are going to stop, things are going to crash. And that is where I see us going.

Mrs. STEEL. Ms. Payne.

Ms. PAYNE. Thank you. The farm that we are so proud of, that has been in our family for 5 generations, is not good for anything but what it is being used for, and that is growing grass for cattle. The portion of the farm that is certified for agritourism is on a bluff, and we could actually grow something there, fruits and vegetables.

What we are seeing though and what concerns me, we provided a food source by growing crops for fruits and vegetables with this agritourism venue so that there is fresh, wholesome food in our community. If people can't afford to buy that, it doesn't matter if we grow 70,000 acres of it. And that is a real concern for me with the cost of everything—I mean, my input costs are going up. We all shop at a grocery store. And what happens when we can't afford to put food on our tables? It doesn't matter what I grow, I can't give it away.

Mrs. STEEL. Thank you. Related to that, I hear a lot about workforce shortages from my constituents. How can we, the future generation, develop skills and succeed in the workforce, and how are you going to bring them back? Because, you know, right now they are always asking for flexible hours, more money, and they are not ready to work. I am not talking about everybody. I am talking about those people that we try to interview and try to bring them in.

You know what, I am a first-generation Korean American, I used to work 18 hours a day, and I still work 7 days a week and more than 12 hours a week—I mean a day. So what challenges are we seeing and then how to fix it?

Mr. JACKSON. I appreciate you mentioning being Korean American. I had many classmates from West Point who were first-generation immigrants from Korea who were representing their family well with a lot of dignity and honor.

Mrs. STEEL. Thank you for your service.

Mr. JACKSON. Thank you. I would say, there is two things as a veteran that I learned that would help people be better empowered to be better employees: One would be discipline, and the other would be extreme ownership. So with discipline, it is seeing the job through with quality and consistency. And as far as ownership goes, whatever you see you own. And as a business owner, I have learned that everything that goes wrong is my fault, either failure to communicate or to train my people. Anything that goes well is the result of them doing a great job as a team.

Chairman SMITH. I want to thank the gentlelady.

Mrs. STEEL. Thank you. I yield back.

Chairman SMITH. Thank you.

I recognize the gentleman from California, Mr. Panetta.

Mr. PANETTA. Thank you, Mr. Chairman.

Appreciate that, Ranking Member.

Mr. Hern, Mr. Lucas, thank you for this opportunity to be here in Oklahoma, in your State. I appreciate that.

Again, my name is Jimmy Panetta. I come from the central coast of California, where we do have a lot of beauty as you can imagine, but we have also got a lot of bounty. Agriculture is my number one industry in that area. In fact, with redistricting I actually gained the largest cattlemen's association in California, in northern San Luis Obispo County. And then of course, we have our specialty crops. So I am hearing a lot of the same concerns today that I hear in my district, obviously especially when it comes to water and workers.

Now, I have got to say, we don't hear much about oil and gas in my district. And when it comes to regulations, let me just tell you, the people in agriculture in my State would think of Oklahoma as Disneyland, okay. Let me just make that clear, all right, so take that for what it is worth.

Now, obviously when it comes to the two issues that I hear most about from my ag people, water and workers, you know, technology is playing a big part in that. Obviously with water, we are seeing that when it comes to recycling and recharge and even diesel to a certain extent.

And when it comes to workers, it is obviously trying to replace not labor but the lack of labor. Now, be it COVID or preCOVID, that has always been the number one issue, especially with my specialty crops, and how difficult it is to replace the human discernment when it comes to actually bending over, looking at a strawberry plant, and deciding what is an aesthetically pleasing, safe, ripe, and clean strawberry and actually taking the time and technology to pack it in a clam shell. Technology is just not there, so you need humans to do that type of work, especially right now. Maybe 1 day we will get there, but not right now.

Now, fortunately we have people who are willing to come to this country and do that type of work. Let me tell you, no American is doing that type of work. They are just not doing it. And therefore, we need the same people that have come throughout the history of this country to come here to contribute here, to work here, and to ensure that basically we continue to go forward and be that number one agriculture, not just State of California but number one agriculture producing nation in the world.

And so obviously, it is this reliance on foreign workers to do that type of tough work is what it has come down to. And so I was wondering, I hadn't heard much talk about that in your lines of work. I mean, do you have foreign workers who are coming in and filling those tough jobs that no Americans are willing to do?

Mr. Mills.

Mr. MILLS. You know, we do, and of course, I see more of it in the construction industry around me. And I actually have a friend that runs a—he is construction and he does lawn care and things like that, and he has mainly Mexican workers. But they all come in legally and, you know, send money home and whatever. But, you know, personally I think that we need to bring more immigrant workers in, legally is the key though. I welcome, you know, hey, if you will come in and be productive citizens of our society, pay your share, welcome, open the doors.

Mr. PANETTA. Right. Mr. Mills, are you familiar with the H–2A system?

Mr. MILLS. I am.

Mr. PANETTA. Okay. And would you encourage an increasing of that system?

Mr. MILLS. I would. I think it is a good program.

Mr. PANETTA. All right. Thank you.

And then, Mr. Jackson, obviously in your line of work you rely on foreign workers?

Mr. JACKSON. We do not. And most of our work is done by hand, so I would be in favor of anything that would help increase automation to better train those employees, but also to help us be more efficient as the large packers are able to do.

Mr. PANETTA. Understood. Thank you.

Let me just pivot over to Ms. Kantz. Obviously, Mr. Schweikert alluded to this in his questioning in regards to some of the issues keeping people out of work, and that being opioids. It is, you know, what I has caused, I think, what now, 80,000 lives in 2021. So, Ms. Kantz, you know, when it comes to opioids, I know that in my district they want to increase access to medication-assisted treatment, specifically, Buprenorphine, also known as Suboxone. I know a lot of my doctors have asked for that. How does access to that medication-assisted treatment impact communities in Oklahoma, including the workforce?

Ms. KANTZ. I think any time we can help our workforce access care, any type of care that they need, I don't think it is our job to regulate what care they are getting within the doctor's office. So I think anytime they can access that care we are supportive of it, and I do believe that there is some mental health pieces there that need to be lifted up, that there is a lot of—there is a lack of care in Oklahoma specifically around opioids and substance abuse.

Mr. PANETTA. Thank you. I yield back.

Chairman SMITH. Thank you, Representative.

I recognize the gentleman from Iowa, Mr. Feenstra.

Mr. FEENSTRA. Thank you, Chairman Smith.

And I want to also say thanks to Congressman Hern and Lucas for having us here in Oklahoma. This is quite an amazing State.

I also want to thank our witnesses, and your testimony is very impressive.

In 2017, we passed a significant Tax Cut and Jobs Act, and it affected virtually everyone in the heartland. When I talk about the heartland, I talk about Oklahoma, I talk about my State also, Iowa. You know, we are the bread basket to the world, and it goes somewhat unnoticed. You know, I never hear from President Biden about, well, all the food that we are creating and that we are exporting, and yet we do it and we work hard, and we are very happy about doing these things.

In that Tax Cut and Jobs Act, section 199(a) allowed farmers and small businesses to take a deduction, up to 20 percent of their qualified income. This is very significant. It allowed small businesses and farmers to compete on the global stage.

And so, Mr. Mills, I want to ask you a question. In your testimony, you noted when you are able to negotiate lower prices for materials you pass these savings along to your customers. How about when the government helps and gives you a tax reduction, is that the same thing? Does that apply?

Mr. MILLS. Yeah, I would think it would apply. You know, and it is—to me, of course, my best investment is my business. So any advantage I would get would be invested back into my business to hire more people, develop new product, and, you know, that is how we would, you know, use an incentive like that.

Mr. FEENSTRA. So what you are saying is, it goes two ways. When you lower taxes you can either pass it on to your customer or you can grow your business as an investment. Is that a fair statement?

Mr. MILLS. That is fair. And the statement I was making there was, as we see—you know, it is actually interesting that almost everything has gone up with our bar material and tube material. Just recently we have seen a reduction in steel plate, and so that's a big part of what we buy. So we are going to readjust our pricing back down to be more—to make our customers more competitive. And, you know, if things go up, they have to share the cost; if things go down then, you know, we go down too. We don't just say, oh, we are going to make more money.

Mr. FEENSTRA. That is exactly right.

Mr. MILLS. We don't look at it that way.

Mr. FEENSTRA. Exactly. Thank you for those comments, Mr. Mills.

Ms. Payne, as you know, you are a part of the farming community, just like I am in Iowa. Nine out of every ten farmers are small businessmen and women. We are either LLCs, partnerships, you know, sole proprietors, S-corps. We are not big corporations, right. We are small. So how does—when I start talking about tax reduction 199(a), where you get a 20 percent deduction on your qualified business income, how does that affect you? And by the way, it is going to go away. It is shocking, but in 2025 it is going to sunset. So how does the uncertainty affect you when you see something that you have today, but it is going to be gone tomorrow?

Ms. PAYNE. That is a very fair question, and I think there is more and more of that. As I mentioned earlier, a lot of times, especially in cattle industry, we are working for one paycheck. We will get that check once a year. And so we are always looking further on down the line.

Like right now, I don't have anything at the house, but I am planning for 3 years from now—hopefully we will have pasture—about what I can stock that place with. Within that planning is also going to require some financial management, so we like to be able to count on certain things. I can't discount my livestock. This is not a cash sale like that, but I want to be able to plan to be able to buy overhead bin or any of the tractors, any of the things that I would need.

Mr. FEENSTRA. Taking away from that, Mr. Mills, if you could further expound on that. You know, right now we have a thing called 139 depreciation, which you can fully depreciate an asset in 1 year, a bonus appreciation the same way. But that is going to go away. It is going down from 100 percent to 80 percent to 60 percent.

So when you buy capital equipment, and all of a sudden now you can fully depreciate it, but it is going away, this year it is gone, it is slowly going down, how does that affect you? If I had to guess, that would also affect your future decision-making.

Mr. MILLS. Well, you know, first of all, you have to have some cash flow to make that happen, that is number one. And right now, because of what we are having to expend on buying additional materials, we are not even looking at buying anything equipment wise. We are really just pulling back and going, okay, let's see what happens because, again, our best investment is to go out and invest in those materials, controlling that cost, make it competitive for our customers.

Mr. FEENSTRA. Thank you.

And I just want to note to everybody, that is what inflation does, by the way, people, just what he said. Thank you, and I yield back.

Chairman SMITH. Thank you, Representative.

I would like to recognize the gentlelady from New York, Ms. Malliotakis.

Mr. MALLIOTAKIS. Thank you, Mr. Chairman. And I will say, as a New Yorker and Yankee fan, it is exciting to be here in the birthplace of Mickey Mantle.

You know, when we talk about Made in America we are talking about you, right, American manufacturers, American farmers, food producers, American energy producers. And we have a President that talks a lot about Made in America, but what I am hearing today is that the policies, there is a real disconnect between what he says and the policies that are coming from this administration.

Because what I have heard today is that higher taxes, burdensome regulations, permitting delays, the disincentivizing of work have all made it more difficult for you to create jobs. It has made it more difficult for you to create American jobs, let's be specific, and produce more American goods forcing us to rely on foreign countries, particularly as it pertains to energy. And I want to focus on the energy policy because we rely on energy for everything, to manufacture, to transport goods and food, to have a quality of life where we can have electricity that is reliable.

And I am from New York City, and sometimes in New York City we don't always think about where that energy comes from, right. We just turn on the lights, we pull up at the gas pump, we go in the store, we buy our food. We never think about where it is actually produced or how it is produced.

But lately my constituents are paying a lot more attention because they are getting those higher utility bills, they are seeing that, you know, gas prices are more today than they were 2 years ago, and they are seeing that, you know, that transportation of food is actually driving the price of their products up at the supermarket.

So I would love to ask, Mr. Brevetti, if you can comment on how much more is the potential for American energy production here in Oklahoma and America, how much more potential is there for us to be energy independent, and as you said, not rely on adversaries? It is important for our national security, it is important for our independence, and it is important to reduce prices for American families.

And my second question would be, how are Biden's policies hindering that production and in the end increasing the cost of energy and food for my constituents back home in New York?

Mr. BREVETTI. Both great questions. And, you know, typically we recover about 20 percent of the oil in place. We maybe get a little bit more an natural gas, you know, 50 to 75. So we are leaving a lot of hydrocarbons in the ground, and technology will help us recover though. So it is not going to go away. We are going to be able to develop that, and that is going to be able to help the consumer.

From the standpoint of your second question, what can be done, I mean, you know, one of the things is pipelines, you know. I think your home State has blocked pipelines going through them, and we have such tremendous gas reserves that are in the Appalachian area, and so that gas has to come here. That gas comes through. And Oklahoma gas has to compete for space in the pipelines, whereas that gas could go to the East Coast and be made into LNG, sent overseas. It could be used to heat the homes there and help people flourish.

Mr. MALLIOTAKIS. You mentioned something interesting. When you mentioned pipeline, I automatically thought about the Keystone Pipeline, right, which would have created thousands of jobs, including here in Oklahoma. How is the cancellation of the Keystone Pipeline affecting American workers here, and how is it also sending a message that disincentivize private investment to expand the energy industry here?

Mr. BREVETTI. Well, it did all that. It was a job killer, as we are aware, the cancellation of the Keystone. It also kind of slapped one of our best allies, our closest—our neighbor to the north in the face. You know, there was so much investment done. This was a way for Canada to be able to market their products to a place where they have a product, we have consumers. And I will point out that there is not a safer way to move oil than in a pipeline. I think we have seen what has happened with the railroads here lately. A lot of oil gets moved by railroads, and that is not safe, so, yes.

Mr. MALLIOTAKIS. Is American energy or American oil, I should say, is it dirtier than Russian oil or Venezuelan oil or Saudi Arabian oil, Iranian oil?

Mr. BREVETTI. You know, that is a good question. Without getting down into the weeds, most of American crude being produced right now is what is called fairly light and sweet. It is low in H2S, which makes it sour. It is also fairly light compared to those countries you mentioned, such as Venezuela. And when you produce crude in a foreign country, it is not produced as clean and safely, but now you have to move it on tankers and that has a carbon footprint for sure.

Mr. MALLIOTAKIS. So American oil is cleaner, and it costs less to transport and it is cleaner to transport?

Mr. BREVETTI. Cleaner, safer, and nobody produces hydrocarbons in a more environmentally and greener fashion than U.S. producers.

Mr. MALLIOTAKIS. Thank you.

Chairman SMITH. I want to thank the gentlelady.

I recognize the gentleman from Ohio, Mr. Carey.

Mr. CAREY. Thank you, Mr. Chairman.

I want to thank the ranking member as well for having this bipartisan hearing today.

I think it is great to be in Oklahoma. We had a great time in West Virginia.

I want to follow up on a couple of issues as it relates to energy, following along the questioning. But looking at Oklahoma, and I know the Chairman Lucas and Mr. Hern has pointed this out, as well in your testimony, but there were $64.9 billion in the State's gross domestic product that came from the oil and gas industry. $2.5 billion in taxes, 27 percent of Oklahoma's State GDP comes from the oil and gas industry. 16.7 percent of the State is tied working to the oil and gas industry.

The other thing that you mentioned briefly in your testimony but I think it is important to note, that over $2 billion, $2 billion were returned to property owners in terms of royalties. That is major. The other issue is that for every one oil and gas producing job in the State of Oklahoma and for the rest of the United States, there are roughly two other spinoff jobs.

So why did I want to put out all those numbers? While we were going through the testimony, I wanted to pull up the top oil producing, oil and gas producing States. And they are not red States. They are not blue States. They are red, white, and blue States. Texas is number one, New Mexico is number two, North Dakota was number three, Alaska was number four, Oklahoma was number five.

And we saw what a big portion of Oklahoma's economy is derived from oil and gas production. Number six was Colorado.

My dear friend across the aisle, you will be surprised, California was actually number 7, Wyoming number 8, Utah number 9, Louisiana number 10, Kansas 11. My State of Ohio with the Utica Shale reserves were making the charts, up to 12, and then, of course, following with Montana. What we have seen, of course, is that oil and gas, oil and gas spin-up jobs are domestic, they grow the economy, and I think in your testimony you mentioned that you had positions up to $100,000 that you just can't fill.

The other thing I want to point out is part of oil and gas, I am a firm believer if something is not grown it is mined. And so if you look in terms of what does that mean for oil production, there is a lot of moly that goes into that, borate goes into that, phosphate mining goes for fertilizer, all of these, and they have an average income of about $85,000 for every one of those people that mines those products.

So saying all those things, one other thing I want to point out to my colleague here to the left mentioned the price going up. Some interesting numbers. In December of 2020, dollars per thousand cubic feet of natural gas—listen to these numbers—December of 2020, $4.11. Today—or in December of just a couple months ago, $8.23. It has doubled. So we have a misguided energy policy, and I am so glad that we are here talking about the things that are really affecting the American public.

I am going to ask you a question just real quick on the oil and gas side of things if you don't mind, because I like many of—Mr. Hern pointed out people that don't know a lot. I come from the energy production side of things in my private career. Can you explain, and I think you mentioned it in your testimony, but you explain the percent depletion and how that relates to smaller oil and gas producers and why it is so important.

Mr. BREVETTI. Yes. Certainly. I am not an accountant. I am an engineer. However, we depend upon our participants who co-invest with us. They depend upon certain things. And we mentioned about the IDCs, which is the intangible drilling costs. But there is also a depletion allowance. And there is cost depletion up front. But there is also percentage depletion. So percentage depletion—which I think has been in question and has been on the crosshairs of some people.

Percentage depletion, if you think about it this way, when you plant a crop one year, you can go back and replant it the next year. But with our industry, what we pull out of the ground this year is gone. It is like if you had a closet filled with some type of asset. You know, make them gold bars, or make them Bitcoins. You are pulling them out. They are not there once you pulled them out. So that is what the depletion allowance addressed.

Mr. CAREY. You are constantly using your asset. You are depleting your asset.

Mr. BREVETTI. You are using up your assets. At some point, it is gone. So the depletion allowance, I view it as not a—it is not a handout. It is saying, hey, wait a minute. What you had to start with, you don't have anymore. So we are going to let you take the deduction for that. You know, you are selling off an asset.

Mr. CAREY. Thank you.

Mr. Chairman, I yield back.

Chairman SMITH. Thank you, Representative.

I want to thank the witnesses again for your testimony and for being here. I want to thank express ranges—Express Clydesdales for hosting the event. I want to thank you, Ranking Member, for your attendance. And I want to thank every member for your attendance.

These field hearings, I believe, are a great way for us to get closer to different areas of the country that we typically wouldn't see when we are in Washington. And so I appreciate the time and commitment that each and every one of these 24 members took to be here.

Please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

With that, the committee stands adjourned.

[Whereupon, at 11:03 a.m., the committee was adjourned.]

LOCAL SUBMISSIONS FOR THE RECORD

Date	March 7, 2023
Name (Print)	**Shelli Selby**
Company	**Mayor**

WRITTEN SUBMISSION TO BE INCLUDED IN OFFICIAL HEARING RECORD

Committee on Ways and Means
Field Hearing on the State of the American Economy: The Heartland

We want to hear your story. Below please provide any personal experiences or general comments about the state of the American economy that you wish to be included in the official hearing record.

We have to get back to build, grow, and awork on American soil. If COVID taught us anything, it was we cannot depend on other countries for our goods. Americans need jobs not sending the work overseas.

**The official hearing record will be made public as part of the transcript. This will be posted on the Committee on Ways and Means website at: https://waysandmeans.house.gov/*

PUBLIC SUBMISSIONS FOR THE RECORD

March 10, 2023

Submitted via WMSubmission@mail.house.gov

United States House of Representatives
Ways and Means Committee
1102 Longworth Hob
Washington, DC 20515

Comments on the Ways and Means Field Hearing on the State of the American Economy: The Heartland

Blu Hulsey
SVP, Government and Regulatory Affairs
Continental Resources
20 N. Broadway
OKC, OK 73102
(405) 234-9295
Blu.Hulsey@clr.com

Re: Ways and Means Field Hearing on the State of the American Economy: The Heartland

Dear Honorable Members of the House Ways and Means Committee,

Continental Resources (Continental) welcomes you to the state of Oklahoma for your second field hearing of this Congress. Primarily focused on the exploration and production of oil and gas, Continental is an independent, family-owned business that operates exclusively onshore in the United States. Based in Oklahoma since its founding in 1967, the company is the top oil and gas producer in a state that that ranks sixth in the production of total energy. By optimizing traditional energy systems and encouraging investment in new technologies, the state leverages the energy industry for workforce and economic development. In 2022 alone, oil and natural gas producers contributed 27% of statewide GDP, \$2.5 billion in taxes, and \$23.7 billion in household earnings.[1] Taxpayers are the ultimate beneficiary of living in a state that produces three times more energy than it consumes, paying one of the lowest gasoline and year-over-year electricity costs in the nation.[2]

In other words, it is no coincidence that you will be discussing energy tax policy in your first field hearing in the American heartland. Even still, you don't have to be in Oklahoma to see how impactful our domestic energy resources are to every individual in this country. The unprovoked

[1] Oklahoma Energy Resources Board, "Economic Impact," accessed March 1, 2023, https://oerb.com/economic-impact/.
[2] U.S. Energy Information Administration, "State Energy Profiles," accessed March 1, 2023, https://www.eia.gov/state/.

Russian invasion of Ukraine has demonstrated the inextricable link between individual prosperity and energy security. It is this individual prosperity that has made the U.S. the envy of the world.

There is near consensus among all Americans that energy security is of paramount importance to our economic freedom and environmental sustainability. When we are dependent upon hostile and inhumane regimes for the sourcing and manufacturing of our energy supply chain, our domestic consumers are ultimately the ones paying a high price for a poor-quality product and risking supply disruptions that bring everyday life to a halt.

Continental urges Congress to act proactively and protect the American consumer by strengthening our domestic system of energy production through thoughtful tax policy. Continental, its service providers, royalty owners, state taxpayers, and the nearly 200,000 people in the state of Oklahoma directly engaged in the oil and gas industry all benefit from a state government that prioritizes the production of affordable, reliable, and increasingly sustainable energy.[3] As states are often referred to as laboratories of democracy, they provide an opportunity to test, assess, and refine policies before they are implemented at a national level. Given Oklahoma's success in implementing tax policies that encourage domestic energy production while benefiting American consumers, Continental encourages Congress to adopt similar federal tax policies to strengthen our energy production capabilities and enhance our energy security.

We urge the House Ways and Means Committee to consider the following facts and take the appropriate actions.

Oil and Gas Impact on Federal Revenue

Federal revenues generated from federal onshore oil and natural gas leases provide significant income streams to federal government programs, states, and the general fund of U.S. Treasury. The federal onshore oil and gas program generated a total of $4.202 billion in revenue in FY2019, and $3.45 billion in revenue in FY2020.

The sources of these funds include bonus bids for federal leases sold at competitive auction, lease rental payments, and royalty payments on production from those leases. As required by the Mineral Leasing Act, these funds are disbursed to the states where the leases and production are located, federal programs, and the U.S. Department of the Treasury.

President Biden halted new federal oil and gas lease sales via Executive Order on his first day in office on January 21, 2021, and this ban extended through May 2022. As a result, new federal oil and gas leasing is at an all-time, historic low, with only 120 federal leases issued in FY2022 compared to 1,841 leases issued in FY2019. This absence of federal leasing delays the development of many currently leased federal oil and gas resources and diminishes revenue generation and disbursements.

Moreover, the Inflation Reduction Act substantially increases costs for key steps in developing federal oil and gas resources in the United States, imposing a wide array of new fees – essentially new taxes – that will disincentivize small companies from leasing and developing federal oil and

[3] Oklahoma Energy Resources Board, "Economic Impact."

gas resources, and in turn further diminish revenue generation and disbursements.

Revenue Generation and Disbursements from the Federal Onshore Oil and Gas Program (Leasing and Production)

The Mineral Leasing Act of 1920 (MLA) provides for the leasing of oil and gas resources on federal lands through the U.S. Department of the Interior (DOI). The Federal Land Policy and Management Act is the statutory authority for the Bureau of Land Management (BLM) to manage federal mineral estate.

The MLA established a minimum royalty rate of 12.5% for production of federal oil and gas resources (as discussed below, the Inflation Reduction Act of 2022 increased the minimum royalty rate to 16.67%). Other revenue sources include proceeds from BLM's competitive oil and gas lease sales (e.g., bonus bids) and annual lease rental payments.

The MLA provides that 50% of revenues generated from federal oil and gas leasing and development flows back to the state where the resources are leased and produced. Disbursements to states are assessed a 2% administration fee by BLM, and this amount is deposited into the general fund of the U.S. Treasury.

The MLA requires 40% of revenues generated from the federal onshore oil and gas program be deposited in the Reclamation Fund, to fund irrigation and water projects in the western United States.[4]

The remaining 10% of federal oil and gas revenues are disbursed to the general fund of the U.S Treasury.

Revenues and Disbursements from Oil and Natural Gas Production on Federal Lands

The production of oil and natural gas from onshore federal lands generates significant revenue to the federal government and states. In Fiscal Year (FY) 2019, the federal onshore oil and gas program generated $4.202 billion, representing 86% of total federal revenues from energy and mineral leases on onshore federal lands.[5] This revenue total includes:

- $2.931 billion in royalty payments from production of oil and gas; and,
- $1.181 billion from bonuses paid for leases sold at competitive lease sales.

As required by the Mineral Leasing Act, the disbursements for these revenues included:

[4] Congress created the Reclamation Fund in 1902, and the fund receives disbursements from onshore natural resources revenue (e.g., generated oil and gas, timber, and federal land sales). The Reclamation Fund largely supports irrigation and hydropower projects overseen by the Bureau of Reclamation.

[5] Congressional Research Service Report, "Revenues and Disbursements from Oil and Natural Gas Production on Federal Lands," September 22, 2020.

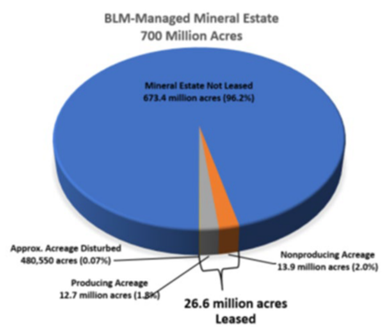
- $2.002 billion to the states (where the oil and gas was produced);
- $1.539 billion to the Reclamation Fund; and,
- $444 million to the General Fund of the U.S. Treasury.

Leasing and Development of Federal Onshore Oil and Gas Resources

There are 700 million acres of federal lands and mineral estate. Under President Biden's Administration, leased federal acreage is at a historic low, down by approximately 78% since 1985 when BLM began tracking and recording federal oil and gas data. Currently, there are approximately 26.6 million acres leases for oil and gas development, down from 120.7 million acres leased in 1985.

Still, industry's advancement in technologies to maximize production in the most efficient manner possible has resulted in more efficient production, while minimizing surface disturbance and environmental impacts. Companies can now drill long horizontal lateral wells – spanning upwards of three miles in length - allowing for the development of a larger number of leases from a single well pad.

At present, within approximately 26.6 million federal acres leased for oil and gas development, only 480,550 acres contain oil and gas facilities on the surface. This accounts for **0.07%** of all federal lands and mineral estate.



See BLM Oil and Gas Statistics website at www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics.

The return on investment for the United States is significant. From this small surface impact, in 2020, 279 million barrels of oil, 3.3 trillion cubic feet of natural gas, and nearly $3 billion in royalties were delivered to the American people.

Regulatory Risks

The leasing, exploration and development of oil and gas resources is capital intensive and fraught with risk. Compared to leasing and developing private and state-owned oil and gas resources, the acquisition of a federal oil and gas lease carries significantly more financial and regulatory risks to the lessee.

While there is no guarantee of success in the exploration of oil and gas resources, whether federally or privately owned, a federal lessee is confronted with a significantly higher risk of stranded capital investment due to the lengthy federal regulatory processes and environmental reviews that often delay timely issuance of permits to drill and develop leased resources, and other authorizations needed such as federal rights-of-way to access the lease and transport production to market.

Decreased Federal Leasing Since 2021

Federal oil and gas leasing during the Biden Administration is almost non-existent. On his first day in office, President Biden issued an Executive Order that essentially halted the federal onshore leasing program. BLM did not conduct any new federal onshore oil and gas lease sales from January 2020 through May 2022.

As a result of litigation challenging this ban on oil and gas leasing, and a court order overturning this ban, the BLM conducted a series of lease sales in June 2022, but it deferred most of the parcels nominated by industry to be offered for competitive sale.

For comparison purposes, in FY2019, BLM issued 1,841 new onshore oil and gas leases totaling 2,245,906 acres. In stark contrast, in FY2022, BLM only issued 120 new oil and gas leases totaling 74,758 acres.

The lack of federal oil and gas leasing also impacts existing federal leases. Because of the complex and interlocking land and mineral ownership in the western United States, companies often cannot avoid federal minerals that lay within the trajectory of their horizontal well bores. Leasing of these minerals is required to allow for development projects to move forward.

Federal Lease Sale Litigation

The issues arising from the lack of new oil and gas leasing are compounded further by delays in permitting and development of existing leases that are subject to legal challenge. All federal oil and gas lease sales have been subject to legal challenge in federal courts since May 2015. These lawsuits are brought by environmental plaintiff organizations such as WildEarth Guardians and the Center for Biological Diversity whose primary goal is to halt oil and gas development and "keep it in the ground."

The number of leases, acreage, and investment dollars at issue is significant. For example, for the BLM lease sales in Wyoming, there is over $400 million (face value) in stranded investment due to ongoing litigation.

The total numbers from 2017 through 2020 for challenged Wyoming federal leases are approximately:

- 2,210 federal leases challenged;

- 3,757,571 acres in aggregate; and,
- $401,959,260.50 in aggregate bonuses paid.

From May 2015 through December 2020, for all states, the total federal oil and gas lease acreage subject to legal challenge is approximately 4,231,577 acres.

The federal lease sale litigation trend continues. Even though the Biden Administration has only conducted one round of federal onshore oil and gas lease sales in June 2022, environmental plaintiff organizations filed lawsuits against those sales. Plaintiffs are essentially using legal challenges under the National Environmental Policy Act (NEPA) as a strawman to create a de facto national energy policy that precludes the leasing and development of federal oil and gas resources.

These continued lawsuits further exacerbate the lack of regulatory certainty for the administration of the federal onshore oil and gas program. This lack of regulatory certainty undermines business certainty, making it even more difficult for companies to secure and deploy capital to efficiently develop their assets.

Delayed Permitting for Existing Leases

The litigation and regulatory uncertainties in the federal leasing program also impact development of existing, valid federal and private oil and gas leases. These legal challenges often result in BLM delaying permit approvals for lease development while the litigation is pending in court. Moreover, when the court remands BLM's leasing decision back to BLM for additional environmental analyses under the National Environmental Policy Act, BLM typically takes 2 or more years to conduct this curative analysis, resulting in even longer permit delays, which further stalls out development and restricts revenue generation that would flow back to the states, federal government programs, and the U.S. Treasury.

For example, for the past 2 years, BLM has been preparing a greenhouse gas analyses Environmental Assessment update for 64 federal oil and gas lease sales, covering approximately 3,994 leases in aggregate. This lengthy process has resulted in further permitting and development delays and a reduction in revenue generation and distribution to the states, federal government programs, and the U.S. Treasury.

In terms of developing valid, existing leases, companies need to ensure a continuous acreage position so that they can efficiently drill and develop through long horizontal lateral well bores that traverse multiple leases (federal, state, and/or privately owned minerals). The dearth of federal leasing makes it difficult for companies to plan and develop their assets when there is unleased acreage within their asset position.

BLM Restrictions on Commingling – Impacts on Investment

Federal regulations governing the commingling of oil and gas production (i.e., combining production from multiple different leases and ownership interests) currently slow down investment, as companies are unable to obtain BLM commingling approval that would allow for the consolidation and centralization of production facilities, which would significantly reduce overhead costs (e.g., facility construction) and increase operational efficiency.

At present, BLM's regulations governing site security and measurement do not afford a direct path for operators to consolidate facilities and commingle production from diverse-ownership leases or units. Under BLM's definition of commingling and the regulatory framework for commingling approvals, BLM rarely approves diverse-interest commingling.

As a result, operators are typically forced to construct numerous additional facilities to comply with current requirements, resulting in substantially greater surface disturbance and air emissions, less efficient recovery of federal mineral resources, and duplicative data and reporting requirements for each facility.

With major advances in metering and measurement technologies, companies are now able to obtain measurements at or near individual wells with an accuracy level on par with BLM's requirements for Facility Measurement Points (FMPs). These technologies, combined with American Gas Association (AGA) and American Petroleum Institute (API) approved meter calibration procedures, allow for accurate and equivalent measurement upstream of an FMP – such as employment of allocation meters at the wellhead.

As demonstrated at the state level, such as in Wyoming and New Mexico, these technological advances in measurement, allocation and metering allow states to authorize commingling of diverse ownership interests without compromising accurate accounting of royalty revenue to the state government and other mineral interest holders.

Modernizing BLM's regulations governing commingling would make federal regulations more consistent with many state commingling frameworks and allow operators to expand the proven commingling applications approved in non-federal scenarios to those with federal surface and/or minerals. This would allow for more efficient consolidation of facilities, which would increase return on investment, increase operational flexibility, decrease regulatory burden, and decrease surface disturbance and associated environmental impacts (e.g., air emissions reductions).

Impacts of Inflation Reduction Act of 2022

The Inflation Reduction Act of 2022 (IRA) significantly increases the cost to lease, explore and develop federal oil and gas resources. The legislation provides for increased fees across the board for oil and gas leases, including increased royalty rates, rental rates, and minimum bids at auction, as well as a significant new, and non-refundable, lease tract nomination fee.

Many of these fees are akin to additional taxes that will deter future exploration and development of federal oil and gas resources. The IRA provisions impacting the federal onshore oil and gas program include:

A. Increased Royalty Rates

- The royalty rate for new leases was increased from 12.5% to 16.67%.
- Under the Mineral Leasing Act, BLM already had the discretion to offer leases at

more than 12.5%.

- The royalty rate for lease reinstatements was increased from 16.67% to 20%.

Historically, the favorable royalty rate of 12.5% provided an incentive for companies to take the significant regulatory risks to develop a federal lease, as that royalty rate allowed companies to better absorb the substantial legal and regulatory costs associated with developing federal onshore leases.

This royalty rate increase will further disincentivize smaller companies from developing federal oil and gas resources, at a time where increased production is essential for national security and mitigating future commodity price increases that impact gasoline prices, manufacturing, transportation, and a host of other aspects of everyday life in the United States.

B. Increased Minimum Price for Bids at Competitive Lease Sales

- The minimum price for auction bids is increased from $2 per acre to $10 per acre.
- An onshore federal oil and gas lease can be up to 2,560 acres. The increase in minimum bids to $10 would raise the price on a lease for 2,560 by $20,000.

C. Increased Lease Rental Rates

- The legislation does not change the standard 10-year lease term but does substantially increase rental rates on a progressive schedule.
- Lease annual rental rates doubled from $1.50 per acre to $3.00 per acre for the first two years upon lease issuance. Rental rates are then increased to $5 per acre for the next 6 years; and then increased to $15 per acre per year for years 9 and beyond.

Overall, these increased royalty and rental rates will be a significant burden on companies, particularly small producers. The lower royalty rates for federal leases were seen as an incentive, and as an offset, given that it takes significantly longer to obtain federal permit approvals, with more risk for stranded capital investment, and more legal and regulatory costs. These provisions will disincentivize some companies from exploring federal lands and developing federal minerals.

D. New Fee for Expressions of Interest/Nomination of Tracts for Leasing

The legislation includes an entirely new concept for the federal onshore leasing program: a non-refundable $5 per acre fee to be paid by a company or individual seeking to nominate a tract to be offered at an upcoming BLM competitive oil and gas lease sale. This $5 nomination fee will be adjusted for inflation every four years.

This provision will have a significant negative impact upon industry, and it undermines regulatory certainty, and in turn undermines business certainty, with regards to BLM's onshore oil and gas lease sale program. As written, this provision provides that the entity nominating the lease tract for competitive sale must pay this non-refundable fee, regardless of whether BLM ever actually offers the parcel for competitive sale.

This regulatory and business uncertainty is compounded by the fact that the legislation does not include a refund provision in the event the nominated parcel is not offered for sale.

E. Methane Tax

The IRA authorizes the EPA to impose a new methane fee on facilities in the onshore production, gathering and boosting, transmission compression and pipelines, and processing sectors. The notion is that a methane fee will provide further incentives for companies to invest in equipment that does not leak and to aggressively pursue programs to identify and repair leaks.

This methane tax starts at $900/ton in 2024 and escalate in succeeding years to $1,200 per ton in 2025, and $1,500 per ton for 2026. It would apply only to operators that are required to report emissions to EPA (greater than 25,000 tons of CO_2-equivalent annually). That will likely exempt many small producers. For those companies that must report, the fee would be based on an emissions threshold that varies by facility type. The compliance costs for companies to report and track emissions to comply with this provision could be significant.

F. "Royalties on All Extracted Methane"

The IRA imposes a requirement that onshore and offshore operators must pay royalties "on all gas produced, including all gas that is consumed or lost by venting, flaring, or negligent releases through any equipment during upstream operations." The term "negligent release" is not defined. This provision applies to new federal leases issued after enactment of the IRA.

As with many of the other IRA provisions outlined above, these additional fees and expenses will further erode return on investment from leasing and development of federal lands, and likely deter deployment of capital to invest in federal oil and gas production.

Recommended Tax Provision Actions

Continental recognizes this discussion extends beyond the jurisdiction of the Ways and Means Committee, but we encourage the committee to craft innovative solutions to the problems addressed herein. As the chief tax-writing body of the U.S. House of Representatives, this committee's jurisdiction is more wide-reaching than it may seem.

Legislation to Allow the Regular Tax Deduction Amount of Intangible Drilling Costs to be Deducted Under the New Corporate Alternative Minimum Tax

The immediate expensing of intangible drilling costs (IDCs) has been allowed under the Internal Revenue Code (IRC) since 1918 to encourage companies to develop more domestic oil and gas wells.

IDCs are charges for drilling and preparing wells for production that have no salvage value after the well is no longer functioning and cannot be recovered. These costs include items like wages, fuel, drilling rig rental fees and other similar costs that do not leave the producer with a tangible asset. IDCs generally represent between 60 – 80% of the cost of a well.

Currently, domestic producers (non-integrated companies) can deduct IDCs for regular tax purposes in the year in which the expense was incurred, instead of amortized over time. The IDCs deduction is not a subsidy, and the tax code does not allow the industry to modify the amount expensed, only the time-period over which IDCs are expensed.

However, the 2022 Inflation Reduction Act, created the corporate alternative minimum tax (CAMT) which imposes a 15% book minimum tax on the adjusted financial statement income of large corporations for taxable years beginning after December 31, 2022. The CAMT effectively eliminates much of the ability by domestic producers to expense IDC when incurred for tax purposes. For book purposes, IDCs are generally deducted over the life of the property which can take several decades. Slower book amortization of IDCs under the CAMT will accelerate the payment of taxes and remove the incentive to develop more domestic oil and gas wells.

A solution would be to allow companies the ability to deduct the same amount of IDCs expense for the new CAMT as it does for regular tax purposes for each respective tax year.

The Treasury Department also has the ability (under the IRA) to fix economically distortionary effects of the 15% book minimum tax by issuing clarifying guidance under section 56A(c)(13).

Legislation to Delay or Repeal Mandatory Capitalization of Research and Experimentation Expenses

Since 1954, IRC Section 174 has allowed companies to deduct research and experimentation (R&E) costs from their taxable income in the same year the expenses were paid or incurred. However, the 2017 tax reform law, commonly referred to as the Tax Cuts and Jobs Act, eliminated the expensing of R&E costs beginning in 2022. The IRC now requires businesses to capitalize and amortize R&E expenses over five years for domestic R&E.

Upstream oil and gas companies spend significant capital on R&E experimentation costs to develop new or improved business components including products, processes, techniques, formulas or inventions that result in new or improved functionality, performance, reliability or quality. IRC Section 174 now makes it more expensive for companies to undertake R&E by no longer allowing companies to immediately deduct their R&E costs. R&E experimentation proved critical to testing and commercializing technologies like horizontal drilling to unlock U.S. shale resources. Eliminating the expensing of R&E costs will be detrimental to developing similar technologies that enhance our domestic energy security and result in cleaner, more efficient operations.

A solution would be to allow immediate expensing of IRC Section 174 costs retroactive to the beginning of the 2022 tax year.

Legislation to Tie Federal Oil and Gas Leasing to Funding Sources for the Biden Administration

Section 50625 of the IRA provides limitations for how the DOI may issue offshore and onshore renewable energy leases. For example, DOI must offer at least 60 million acres for offshore oil and gas leasing on the outer continental shelf prior to issuing a lease for offshore wind developments. Section 50625 also requires the BLM to hold an onshore oil and gas lease sale prior to issuing a right-of-way for a wind or solar project on Federal land.

To expedite the production of all forms of energy, the Ways and Means Committee should consider tying the budgets of BLM offices to their ability to issue leases and permit approvals for energy production.

DOMESTIC ENERGY PRODUCERS ALLIANCE

March 14, 2023

Submitted via WMSubmission@mail.house.gov

United States House of Representatives
Ways and Means Committee
1102 Longworth HOB
Washington, DC 20515

Subject: Field Hearing on the State of the American Economy: The Heartland

Dear Honorable Members of the House Ways and Means Committee,

The Domestic Energy Producers Alliance (DEPA) is a nationwide collaboration of 39 state and regional energy associations – from California to West Virginia, Texas to Montana – representing individuals and companies engaged in domestic onshore oil and natural gas exploration, production, transportation, and independent refining. DEPA membership also includes a vast array of service companies who provide essential support services to the companies that develop, produce, transport, and refine U.S. oil and gas. DEPA is a non-partisan association seeking common ground and common-sense solutions to the challenges facing American oil and natural gas production.

The mailing address for DEPA is PO Box 33190, Tulsa Ok 74152. We can be reached by phone at 405-669-6646. We do not have a fax number.

Examples of the impact DEPA members have comes from a sample of states:

Kansas

- The oil and natural gas industry supports over 100,000 jobs,
- Over $3 billion in family income
- Over $1.4 billion in state and local tax revenue.
- The average Kansas oil well produces 2 barrels per day and the average natural gas well produces 25 Mcf of natural gas per day. The small businesses that produce Kansas wells account for 92% of the oil and 63% of the natural gas produced in Kansas.

Ohio Community Oil and Gas Property Tax Payments – Key Findings for Ohio Shale Counties:

- Total Property Tax Paid (2010-2017): $141.9 million

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- Projected Property Taxes to Be Paid (2016-2026): $200-250 million
- Amount of Real Estate Property Tax Directly Paid to Local Governments/Schools: 100%
- Amount of Property Tax Collections to Ohio Local Schools: 60-70%

Texas Annual Energy and Economic Impact Report 2022:

- Total for state and local taxes and state royalties: $24.7 billion
- For FY22, the Texas oil and natural gas industry employed 442,966 Texans.
- Oil and natural gas royalties to state funds, particularly the Permanent University Fund and Permanent School Fund widely supported Texas public education. In FY22, each fund received over $2.1 billion.
    - 99% of the state's oil and natural gas royalties were deposited into these funds.
    - Independent school districts in Texas received oil and natural gas property taxes totaling $1.65 billion.
- Texas counties received oil and natural gas property taxes totaling over $608.6 million.
- The Texas oil and gas industry is the primary funding source for the economic stabilization fund.
    - Contributing $28.1 billion
    - This amounts to 89% of the fund's revenue

Oklahoma Oil and Gas 2022 Economic Impact Report:

- $64.9 billion in GDP
- $2.5 billion in total taxes
    - $1 billion towards the general revenue fund
    - $123 million for country roads
    - $123 million for school districts
    - $47 million for the common education technical fund
    - $47 million to the Higher Education Capital Fund
    - $47 million to the Student Aid Revolving Fund

Tax Policy

Tax policies, particularly those designed to punish domestic energy production and promote technically, and economically infeasible renewable energy projects only serve to raise energy costs to consumers while limiting opportunities for economic growth and development. Any proposed modifications to the tax code regarding American energy policy must recognize the critical role capital formation and capital recovery play for our nation's oil and natural gas industries. It is key for our industry that Congress retains necessary and ordinary business tax treatments critical to capital recovery and redeployment. We also support any efforts to lower the overall tax liability for American companies, allowing for a greater degree of investment and growth. America's oil and natural gas producers continue to reinvest capital at a rate well over 100% of their U.S. cash flow, creating high paying jobs, purchasing equipment, and exploring new energy frontiers. Sound tax policy regarding the oil and natural gas industry has been a significant reason the U.S. is a leader in energy production and is poised to remain there for years to come.

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The Inflation Reduction Act (IRA) of 2022, signed into law by President Biden on August 16, 2022, includes $369 billion in spending and tax credits for climate and energy programs over 10 years. It extended the IRC Section 48 ETC; extends the Section 45 PTC; extends the IRC Section 48 ETC; adds IRC Section 48(e) to establish a 10% bonus credit for solar and wind facilities; establishes the Clean Electricity Production Tax Credit; and establishes the *Clean Electricity Investment Tax Credit*.

Unlike wind and solar, there are no subsidies or bonuses for U.S. domestic energy production. U.S. oil and gas producers are allowed to deduct business expenses and depreciate assets the same way as other ordinary U.S. businesses. This is something very different than the tax credits and direct subsidies for renewable energy.

Intangible Drilling Cost deductions (IDCs) permit a portion of the costs of drilling a well to be deducted fully in the year those costs are incurred, as opposed to being capitalized. The election to expense intangible drilling and development costs applies to all expenditures made by the operator for "wages, fuel, repairs, hauling supplies, etc., incident to and necessary for the drilling of wells and the preparation of wells for production of oil or gas." Examples include costs incurred to (1) drill, shoot, or clean a well (2) prepare the site for drilling, including ground clearing, drainage, road construction, and surveying and geological work and (3) construct the physical facilities necessary to drill and prepare the well for production. This applies only to those drilling and development expenditures that have no salvage value. Equipment of a character that is ordinarily considered as having salvage value is depreciable over a period of years. IDCs generally represent between 60 – 80% of the cost of a well. The immediate expensing of IDCs has been allowed under the IRC since 1918 to encourage companies to develop more domestic oil and gas wells.

Currently, domestic producers (non-integrated companies) can deduct IDCs for regular tax purposes in the year in which the expense was incurred, instead of amortized over time. The IDC deduction is not a subsidy, and the tax code does not allow the industry to modify the amount expensed, only the time period over which IDCs are expensed.

The 2022 IRA created the Corporate Alternative Minimum Tax (CAMT) which imposes a 15% book minimum tax on the adjusted financial statement income of large corporations for taxable years beginning after December 31, 2022. The CAMT effectively eliminates much of the ability for domestic producers to expense IDC when incurred for tax purposes. Slower book amortization of IDC costs under the CAMT will accelerate the payment of taxes and remove the incentive to develop more domestic oil and gas wells.

A solution would be to allow companies the ability to deduct the same amount of IDC expense for the new CAMT as it does for regular tax purposes for each respective tax year.
final

Percentage depletion helps independent producers maintain the majority of America's producing oil and gas wells. In fact, about 80% of U.S. wells in production for more than three years fall into the marginal well category. These wells account for approximately 20% of domestic oil production. Percentage depletion is limited to 15% of gross oil and gas income and also is limited to the first 1,000 barrels per day. The amount deducted for depletion cannot exceed 65% of a taxpayer's net income before the deduction. Percentage depletion is similar to depreciation in other sectors, except depletion is available throughout the economic life

DOMESTIC ENERGY PRODUCERS ALLIANCE

of the well due to the depleting nature of the oil and gas asset Percentage depletion was eliminated for major, integrated energy companies more than 30 years ago and thus is only available to independents and the estimated 12 million American royalty owners.

The IRA significantly increases the cost to lease, explore and develop oil and gas on Federal lands. The legislation provides for increased fees for oil and gas leases, including increased royalty rates, rental rates, and minimum bids at auction, as well as a significant new, and non-refundable, lease tract nomination fee.

These fees will deter future exploration and development of federal oil and gas resources. The IRA provisions impacting the federal onshore oil and gas program include: The royalty rate for new leases was increased from 12.5% to 16.67%; The royalty rate for lease reinstatements was increased from 16.67% to 20%. Royalty rate increases like this will make it much more difficult for smaller companies to compete and be profitable developing federal oil and gas resources. Remember the Federal Land resources belong the American people for their benefit not to any particular political party.

The IRA also increased federal lease costs. The minimum price for auction bids was increased from $2 per acre to $10 per acre. The legislation does not change the standard 10-year lease term but does substantially increase rental rates on a progressive schedule. Lease annual rental rates doubled from $1.50 per acre to $3.00 per acre for the first two years upon lease issuance. Rental rates are then increased to $5 per acre for the next 6 years; and then increased to $15 per acre per year for years 9 and beyond. Overall, the increased royalty and rental rates will be a significant burden on companies, particularly small producers.

The IRA breathes new life into Section 45Q, the federal carbon capture tax credit, available to taxpayers capturing and sequestering qualifying carbon dioxide and other carbon oxides and claimed over a 12-year period. This is an example of the tax code being utilized to encourage business investment, and innovation and should be the goal of the Congress. Generally, the revamping of the credit: (1) **Larger Credit**. The Act increases the maximum amount of the credit for capturing and sequestering carbon oxide from $50 per metric ton to $85 per metric ton (and $180 per metric ton for carbon dioxide captured using direct air capture technology). If a project is financed with tax-exempt bonds, the credit is decreased by no more than 15%, as opposed to 50% under prior law. These headline credit amounts, however, are subject to complying with prevailing wage and apprenticeship requirements. (2) **Qualifying Facilities**. The Act significantly reduces the yearly threshold amount of carbon oxide that must be captured for a facility to qualify for the credit. For direct air capture facilities, the threshold is reduced from 100,000 metric tons to 1,000; for certain electricity-generating facilities, from 500,000 metric tons to 18,750 metric tons; and for other facilities, from 100,000 metric tons to 12,500 metric tons. (3) **Construction Start**. The Act delays the deadline for starting construction of facilities and carbon capture equipment from December 31, 2025, to December 31, 2032. (4) **Direct Pay Election**. The Act allows tax-exempt entities, including state and local governments, to claim credits as cash refunds (rather than offsets against taxes otherwise payable). The election is also available to other taxpayers, but only for a maximum of five years. (5) **Credit Sales**. The Act allows taxpayers to sell credits tax-free by transferring the credits to other taxpayers in exchange for cash.

DOMESTIC ENERGY PRODUCERS ALLIANCE

The Act is expected to spur interest in carbon capture projects that may not have been as economically viable under prior law. Moreover, the two new options for monetizing credits—the direct-pay election and transferability of credits—will give developers more flexibility to finance carbon capture projects and may reduce the need for these projects to rely on tax-equity investors.

The IRS released Rev. Proc. 2023-8 to provide taxpayers procedures to change methods of accounting for IRC 174-specified research or experimental (R&E) expenditures.
The Tax Cuts and Jobs Act amended IRC section 174 to require that certain R&E expenses incurred in tax years beginning after December 31, 2021, be capitalized, and amortized over five years (15 years for foreign-sourced expenses) beginning with the midpoint of the tax year in which the R&E expenses were paid or incurred. This change will be made on a cut-off basis and there will be no 481(a) adjustment because the change in accounting method does not apply to R&E expenses paid or incurred in tax years beginning before January 1, 2022.

The oil and gas industry and associated service companies spend significant capital on R&E experimentation costs to develop new or improved business components including products, processes, techniques, formulas, or inventions that result in new or improved functionality, performance, reliability, or quality. It would be beneficial if Congress would allow immediate expensing of R&E costs under Section 174 retroactive to the beginning of the 2022 tax year.

Methane

Well-structured, cost-effective regulations are essential to manage methane emissions while assuring that American oil and natural gas producers can provide the energy demanded by the U.S. and world economies. At the same time, technology to manage emissions is evolving and the regulatory process needs the flexibility to allow energy innovators to develop and deploy new technology. Rather than mandate a "one-size-fits-all" system of rules and regulations, the EPA and other federal regulatory agencies need to embrace evolving information and technologies to address issues surrounding the management of methane.

Congress needs to engage the EPA to ensure the agency develops a cost-effective regulatory program that encourages energy innovators to address methane and other issues. A 2022 DOE report presents information that can be a guide to cost effective management of methane. EPA should look for ways to provide flexibility in its regulatory regime and encourage innovation in addressing these important issues.

Energy Infrastructure

Expanding and modernizing America's energy infrastructure are critical components of increasing production of oil and natural gas. Increasing utilization of natural gas for electricity generation will continue to reduce greenhouse gas emissions. If natural gas can't be transported to markets, production will decrease, raising prices and increasing foreign dependency. Additionally, if we cannot get our natural gas to export facilities, we will

DOMESTIC ENERGY PRODUCERS ALLIANCE

not be able to assist our friends and allies around the world by providing reliable, U.S. Liquified Natural Gas (LNG).

Access to Capital Markets

Over the past several years, there have been concerted efforts to use the legislative and regulatory process to prevent investment in American oil and natural gas production and utilization. This has ranged from attempts to prevent U.S. energy producers from accessing COVID recovery funds designed to assist American businesses in continuing operations and keeping people employed. Other examples include efforts by the current Administration to use financial agencies, like the Treasury Department, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Office of the Comptroller of the Currency, and others, to promulgate p regulations and policies designed to restrict access to and drive up the cost of capital for U.S. energy producers. Rather than restrict access to capital by domestic energy producers, and by extension increase energy costs for working families and American businesses, Congress should clear regulatory barriers to the production, transportation, domestic utilization, and export of U.S. domestic energy.

Respectfully,

Jerry Simmons
DEPA President/CEO

Comments on the

House Ways and Means Committee Discussions

On U.S. Energy Security and Innovation

Kenneth Wagner

Hamm Institute for American Energy

Kenneth.Wagner@okstate.edu

Thank you for the opportunity to provide testimony for your important field hearing in Oklahoma City. The Hamm Institute for American Energy is dedicated to the pursuit of ensuring that all American's have access to affordable, reliable, sustainable, and secure energy to power their future. Energy security is of paramount importance, including national security, security of supply, security of affordability, security of reliability, and security of freedom from pollution. America's security is endangered when policy-makers lose balance and focus on one priority over others and begin picking winners and losers. By doing so, Americans all lose and live a less secure existence.

Recent legislation has sought to fund certain social spending and clean energy initiatives using tax incentives for certain energy sources through a lens of climate change, while trying to fund this spending by penalizing more traditional energy sources. This is not sound tax policy. In addition to driving up U.S. debt to record levels, policies that try to force Americans to use sources of energy that may not be mature, reliable, or safe, only serves to drive the cost of energy up dramatically for the average consumer.

The energy transition focuses upon replacing reliable traditional sources of energy with newer alternative sources like wind, solar, and batteries. Regardless of energy source, reducing emissions and environmental impacts from all sources of energy should be a priority and should be based upon the entire life cycle of the resource, including mining, supply chain, labor force, environmental practices of the country supplying the raw material, use, decommissioning and, ultimately, its waste stream. Today's policies focus only on the political priority of these sources rather than true environmental, economic, and geopolitical impact.

A focus on innovation and commercialization of new energy is a positive step, but we should not lose sight of the fact that innovations to continue to clean up more traditional sources of energy are happening and should be treated on par with new alternative breakthroughs. As has been widely reported, coal use is on a dramatic rise with CNN reporting that China is permitting two coal plants per week! Similar developments are happening in India and the developing world. Just think, if American innovation could solve and mitigate the emissions from these long-term investments in coal for the rest of the world, why do we continue to punish ourselves, while the developing world's emission profile increases daily? The bottom line is that the rest of the world depends on the energy innovations that happen here in the U.S. We need policies that incentivize energy innovations that solve the world's problems rather than pushing certain sources as the answer for the rest of the world as they languish in poverty fueled by a lack of affordable and reliability energy.

The war in Ukraine served as a wake-up call of what can happen when you lose the balance of affordability, reliability, and sustainability with no real energy security policy. The fact remains true that energy security is national security. We have seen how domestic oil and gas production in the U.S. has served to buoy Europe from the immediate danger from Russia and the risks of people being without heat this winter. In 2022, the U.S. provided half of Europe's liquified natural gas supplies and 12 percent of its oil, thus dramatically reducing dependence on Russia, reaffirming our support of allies and strengthening our role in international relations.

It is easy to blame the Russian war on Ukraine for the dramatic rise in energy prices, but the facts show that this administration's energy policies have caused domestic energy prices to rise. For example, the WTI price of a barrel of oil on February 15, 2022 was $92.07, and the price on February 15, 2023 was $78.59. Similarly, the price of gasoline was $3.58 per gallon is now $3.45 per gallon, showing that the prices had already spiked before the war. Perhaps no singular sector has hit average Americans harder and fueled inflation more than the increases in energy prices. This is a self-inflicted calamity that can be reversed by sensible energy and tax policies that support and incentivize the safe, affordable, reliable, clean, and socially responsible production of energy in all forms.

Rather that deleting energy sources, America (and the world) need more of all forms of energy to sustain the growing energy demands of electrifying everything and making everything "smarter." The EIA and the IEA both project that the world will need 50% more energy by the year 2050. Rather than focusing on reducing sources of energy, we should be striving every day to make sure that the U.S. has more of *every* type of energy to meet this growing demand, while focusing on innovation to ensure the sustainability of all Americans.

Tax policies that incentivize one form of energy over another hinder competition and innovation in the energy space. At present, the vast majority of U.S. energy consumption is from petroleum and natural gas. Energy from oil and gas is reliable and affordable, and switching from coal to natural gas is responsible for the most reductions in emissions since the removal of lead from gasoline. Natural gas is a crucial part of making our grids cleaner. Not only does natural gas reduce emissions of NOx and Sox more than 90%, but it also serves as the balancing energy for renewables when the sun doesn't shine and the wind doesn't blow. Natural gas is essential to our affordable, reliable, and sustainable future. Forcing a switch to other sources prematurely, and without balancing only compromises reliability, passes stranded costs to the consumer, and destabilizes the power grid.

The U.S. environmental permitting system is broken and will stifle any progress and infrastructure improvements sought by Congress with the passage of recent legislation. Today, policies like the National Environmental Policy Act ("NEPA"), permitting regimes and regulations implemented by the U.S. EPA, U.S. Department of Interior, U.S. Army Corps of Engineers, and others present barriers to the implementation and deployment of fully-funded projects that help our country grow.

To promote the efficient and responsible development of infrastructure and energy growth, you should implement reforms:

1. **NEPA**: develop reasonable time constraints, encourage the use of categorical exclusions where broad categories of projects are identified and deemed to be excused from the burdensome requirements; mitigate and minimize the delays caused by litigation; and restore process provisions of the NEPA Modernization Act.
2. **Streamline permitting for Federal Lands**, including limiting access to fee lands, and creating certainty by codifying the tiered bonding requirements with reasonable updates.
3. **Clean Water Act**: reform implementation of Section 401 of the CWA to stop abuses of states from using such to stop objectionable interstate commerce rather than truly protecting water quality by not certifying under Section 401. Require a one-year limitation upon states to complete their review of impacts to water quality, and limit its use to actual point-source discharges.
4. **Endangered Species Act**: streamline Section 7 consultations, including a statutory definition of “destruction or adverse modification” to reduce the number of actions triggering federal consultation and exclude from consultation actions where the agency has no control or authority.
5. **Carbon Sequestration**: provide additional resources to U.S. EPA specifically to increase their UIC Class VI carbon sequestration permitting staff to adequately implement the program under the Safe Drinking Water Act, and mandate that U.S. EPA accelerate the time that it takes for a state to receive “primacy” to implement the UIC Class VI program.

These are just a few reasonable reforms that can help move the country forward towards a future with clean, affordable, reliable, and secure energy for all Americans.

Further, current regulations related to permitting is hindering innovation and the ability for America to make progress towards sustainability goals set by unleashing American ingenuity.

Lastly, tax deductions for independent drilling costs (IDCs) are a crucial part of our nation’s oil and gas producers’ ability to keep providing abundant, affordable, and reliable energy to America and the world.

Much like a baker would deduct raw materials such as sugar, flour, and eggs, oil and gas producers have been able to deduct things like site preparation costs, rig and equipment rental, and transport materials for over a century. Removing these deductions would decrease available capital for independent producers by roughly 25% as well as the associated economic benefits such as direct, indirect, and induced jobs.

Keeping these expenses as non-deductible costs only stands to drive up costs that will, ultimately, make America’s producers less competitive and American’s more reliant upon barrels of oil from countries who do not share our values or adhere to strict environmental standards making us and the world less secure and less sustainable.

Rather than creating more regulations, and punitive taxes that pick winners and losers, we must create efficient pathways to meet global energy needs using both known sources and emerging technologies. We must catalyze innovation, provide the world with American solutions to a cleaner, safer, and more secure world.

Hamm Institute for American Energy
300 NE 9th Street | Oklahoma City, OK | 73104

Comments for the House Committee on Ways and Means
March 7, 2023
"The State of the American Economy: The Heartland"

Thank you for the opportunity to provide comments. I'm Mason Bolay from Noble County in North Central Oklahoma. I, along with my brother, father, uncles and grandfather run my family's fifth generation farming operation. Our farm consists of 4,000 tillable acres rotated between wheat, corn, cotton, soybeans, and grain sorghum. We also farm 3,000 acres of native and improved grasses for our 1,500 stocker calves retained through a feedlot, and a 100 head cow/calf operation.

I earned my Agriculture Business degree from Oklahoma State University and am alternative certified to teach Agriculture Education. I'm an active member of Oklahoma Farm Bureau and serve on the Market Structures Issue Advisory Committee to the American Farm Bureau Federation.

In my hometown of Perry, Oklahoma, I am a Senior Vice president and Loan Officer at a local bank. I bring 13+ years of lending experience to my community and 20+ years of agriculture entrepreneurship.

Agriculture and banking go hand in hand - rules and regulations for the protection of the consumer. I continue to see the community banking industry being strapped with additional rules and regulations that limit economic productivity. Community bankers have always added great value by actively participating in numerous community activities ranging from board service to little league coaches.

The Dodd Frank Act was passed in 2010 - 13 years ago. Recently, section 1071 of the Act is being enforced with community banks. This enforcement requires community banks to collect and submit 21 main categories to the Consumer Financial Protection Bureau for every small business loan made. These additional collections are time consuming for the lender and invasive for the consumer. Small businesses are generally the face of main street in local communities and are very private about their information. They currently report the number of workers that they employ to the federal government on their taxes. Why should our community lending institutions be required to gather and report more to the federal government?

Community banks, like most small businesses, are understaffed. Adding additional documentation requirements restricts our time that could be better served by economic development, analyzing credit and making decisions.

As a community banker we work closely with farmers and ranchers as well as small business owners, especially with budgets and cash flow. The recent weather extremes have triggered several disaster programs for farmers and ranchers. These programs provide additional safety nets but are extremely difficult to navigate and budget for while developing cash flow. Ad-hoc disaster programs implemented by Congress need to be streamlined and paid equally to all producers regardless of ethnicity and gender. I see the Dodd Frank Act limiting access to these programs for unfair reasons. I also see the extensive paperwork of these programs limiting producers' working capital and ability to secure inputs for the next crop.

Relief programs already in place could be strengthened for both small business owners and farmers. A specific example would be federal crop insurance. Another is the Livestock Forage Program. Both programs provide stability and a safety net for producers but need stronger guardrails to ensure the recipient is benefiting.

I appreciate the opportunity to share comments on two industries that I have grown up in and am making my livelihood for my family and community.

Statement for the Record

U.S. House Committee on Ways and Means
Field Hearing on the State of the American Economy: The Heartland
March 7, 2023

NATSO, Representing America's Travel Plazas and Truckstops
SIGMA: America's Leading Fuel Marketers

NATSO, Representing America's Travel Centers and Truckstops, and SIGMA: America's Leading Fuel Marketers, (together, the "Associations") applaud the Committee for holding this series of hearings on the American Economy and conducting these hearings beyond the confines of Washington, DC. In particular, the Love's Family of Companies and QuikTrip Corporation, members of the Associations that are headquartered in Oklahoma, thank the Committee for choosing the Sooner State for inclusion in this series.

The Associations represent more than 80 percent of retail fueling stations in the United States. Our membership includes national travel center and convenience store chains annually grossing billions of dollars, as well as smaller businesses, including single location operators.[1] The retail fuels and convenience industry provides 2.38 million jobs at approximately 120,000 retail establishments across the country. Fuel marketers should be viewed as surrogates for the consumer in that they identify the most reliable, lowest cost transportation energy available, and deliver that energy to every community in the country. In so doing, they compete with one another on price, speed, and quality of facilities and service.

On behalf of our collective membership, we appreciate the opportunity to engage with policymakers on incentive and regulatory issues affecting retail fuel markets, and by extension, the local, regional, and national economies with which those markets interact. Notably, these issues include the longtime framework of tax policies within the Committee's jurisdiction that incentivize the use, sale, and blending of alternative fuels.

I. Biofuel and Renewable Fuel Incentives

Generally, since 2004, Section 40A of the Internal Revenue Code has provided a credit of a fixed dollar amount per gallon of biodiesel and renewable diesel used, sold, or mixed in a trade or business. Initially, that credit was $0.50 per gallon, and was increased to $1.00 per gallon beginning in 2009 (Pub. L. 110-343); the $1.00 amount has not been adjusted for cost of living or inflation since that time. Most recently, those provisions were extended by Public Law 117-169 and are currently effective through December 31, 2024. This $1.00 per gallon blenders' credit for biodiesel and renewable diesel has resulted in lower prices and fewer carbon emissions associated with transportation energy. It has also promoted America's energy security.

[1] NATSO represents nearly 5,000 travel plazas and truck stops nationwide, comprised of both national chains and small, independent locations. SIGMA represents a diverse membership of approximately 260 independent chain retailers and marketers of motor fuel.

PL 117-169 also enacted for the first time Section 40B, a distinct credit for the sale or use of sustainable aviation fuel ("SAF"). That credit was pegged at a fixed dollar amount of $1.25, plus up to an additional 50 cents per gallon based on the lifecycle greenhouse gas emissions of the fuel in question for a maximum possible $1.75 per gallon credit. These provisions are also scheduled to expire after December 31, 2024.

Finally, PL 117-169 enacted a separate domestic production incentive for clean fuels, Section 45Z. That provision incorporates a variable base credit amount based on lifecycle greenhouse gas emissions relative to a national emissions rate determined by Treasury, with a maximum credit amount of $1.75 per gallon for aviation fuels and $1.00 for other fuels. This provision is scheduled to go into effect on January 1, 2025, and expire after December 31, 2027, effectively shifting this group of incentives away from consumption (*i.e.*, the use, sale, or mixture of certain fuels) toward the production of those fuels.

II. Market Effects

Biofuel and renewable fuel incentives work to build and maintain a competitive marketplace, maximize the climate benefits of renewable fuels, and minimize fuel supply disruptions and inflationary consequences for consumers. The biodiesel blenders' tax credit has worked successfully to build a robust biodiesel and renewable diesel industry in the United States; those products enhance our supply of transportation energy for heavy-duty trucks, limiting our exposure to global petroleum markets while improving the transportation sector's emissions footprint. As a result, the U.S. biodiesel and renewable diesel market has grown from roughly 100 *million* gallons in 2005 to approximately 4.6 *billion* gallons in 2022. [2] This number will continue to grow as new plants are built and continue to come online. [3]

Biofuel producers today convert used cooking oil, animal fats, vegetable oils and other "feedstocks" into renewable diesel and biodiesel. Those same feedstocks are used in the production of SAF as well. Because there is a limited supply of feedstocks – exacerbated by the ongoing War in Ukraine and global supply chain issues – many producers face trade-offs about which kinds of fuels to produce; these trade-offs are influenced by the tax incentive framework in place and the disparity between over-the-road ($1.00) and through-the-air ($1.75) maximum credit rates.

Due to limitations in the overall feedstock supply, preferential tax treatment of SAF will result in higher diesel prices. It will disrupt and may eventually *eliminate* the market for biodiesel and renewable diesel by diverting limited feedstocks to SAF. American consumers who are already suffering the effects of inflation will pay more for everyday household goods like groceries, electronics, and medication – all predominately transported by truck – if biodiesel and renewable diesel supply is adversely affected by this new market disparity.

III. Conclusion

The Associations believe it is best for the American consumer and America's industrial position in the world marketplace to have reasonably low and stable energy prices. Congress has an opportunity to lower the cost of fuel for commercial drivers by promoting parity between credits for over-the-road and aviation renewable fuels that compete for the same feedstock. We look forward to working with the Committee in the 118th Congress on parity for alternative fuel incentives.

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[2] EIA Monthly Biofuels Feedstock and Capacity Update, *available at* https://www.eia.gov/biofuels/update.

[3] U.S. Energy Information Administration, "Domestic renewable diesel capacity could more than double through 2025," (February 2, 2023) *available at* https://www.eia.gov/todayinenergy/detail.php?id=55399#.ZAYwph4DPZI.

Statement of the Oklahoma Automobile Dealers Association
Submitted For the Hearing Entitled
"State of the American Economy: The Heartland"
Before the House Committee on Ways and Means
March 7, 2023

Chairman Smith and Ranking Member Neal, thank you for the opportunity to submit testimony for the record in support of H.R. 700, bipartisan legislation that would provide much-needed relief for dealers using the Last In, First Out accounting method which were impacted by supply chain shortages.

The majority of franchised auto dealerships in Oklahoma are family-owned and operated small businesses, playing a vital role in their local economies by providing career opportunities and generating significant tax revenue. Many dealers in Oklahoma that use Last In, First Out (LIFO) accounting were hit by massive tax bills due to the unprecedented semiconductor and vehicle production shortages experienced during the global pandemic. With no way to replenish vehicle inventory, dealers using LIFO have faced major unanticipated tax liability due to circumstances beyond their control. Small family-owned dealerships on LIFO have been disproportionately harmed.

H.R. 700 the "Supply Chain Disruptions Relief Act" would allow businesses using LIFO extended time to replace vehicle inventories due to the unforeseen and uncontrollable vehicle supply chain and pandemic conditions. **The Oklahoma Automobile Dealers Association (OADA), which has represented franchised new automobile dealers in Oklahoma since 1917, supports passage of the "Supply Chain Disruptions Relief Act."**

Franchised auto dealers especially benefit small and rural towns in Oklahoma. In some small communities, the franchised dealer is one of the largest private employers. An auto dealership is not owned by the manufacturer; the dealer is independent and self-financed with their own capital. Here in Oklahoma, there are 270 franchised new car dealerships that are generally family owned and operated and many have served their local communities for decades. Most of the dealerships on LIFO are pass-through entities and all are closely held businesses. (Public company auto retailers do <u>not</u> use LIFO.)

Businesses using LIFO must maintain a minimum level of inventory at year-end or risk recognizing excess gains that result in LIFO recapture.[1] Supply chain disruptions during the pandemic made it

[1]**What is LIFO, and why is it a threat?** Last in, first out is a widely used accounting method to track the costs of inventory that has been employed in the U.S. since before World War II. It can be beneficial to retailers of large-ticket items whose costs normally increase over time. About half of all franchised dealerships in the country use LIFO to track at least some part of their inventories: new vehicles, used vehicles and parts. The new-vehicle calculation is at issue.

How it works: LIFO presumes for accounting purposes that when a vehicle is sold from inventory, it was the last vehicle — and therefore the most expensive on a wholesale basis — placed into inventory, regardless of when it actually arrived or its actual wholesale cost. As long as inventories are stable, LIFO defers income tax by lowering the profit margin between the wholesale cost and revenue received. It creates a pool of the deferred income — referred to as the LIFO reserve and which is calculated every year — that must eventually be accounted for and taxed. Normally, this clearing of a dealership's LIFO pool, which could virtually impossible for auto dealers to maintain inventory. Dealerships with older reserves are generally family stores that have been on LIFO for many years and have been impacted more severely than newer larger dealerships.

Fortunately, Congress has anticipated this sort of scenario. Under existing law, temporary relief under LIFO is available for businesses that cannot maintain minimum inventory levels through no fault of their own, such as a major foreign trade interruption. Our national trade association, the National Automobile Dealers Association (NADA), petitioned Treasury in 2020 to use this authority. Despite broad bipartisan support for Treasury's use of its authority, Treasury declined as it believed additional legislative authority was needed.

The "Supply Chain Disruptions Relief Act" (H.R. 700/S. 443), which the Treasury Department helped draft, would determine that the requirements under existing law have been met for new vehicles due to pandemic-related foreign trade interruptions which created inventory shortfalls. Given the lingering supply chain disruptions, the bill extends the period to replenish inventory and compute LIFO reserve/recapture to the end of 2025 to allow vehicle production to normalize.[2]

Oklahoma small business dealers have noted the real-life impacts of LIFO recapture – these taxes are on top of other taxable income – which have resulted in deferred investments such as putting facility upgrades on hold, facility remodeling and reduced profit sharing for employees.

Washington can address this situation by passing H.R. 700 to clarify that under existing law businesses facing a major foreign trade interruption have additional time to replenish new vehicle inventory. This would help small businesses in Oklahoma invest in their business and employees and stay competitive.

These undue pandemic-related tax burdens also come at a time when major auto manufacturers have announced aggressive plans to electrify their fleet and dealers are being required to make substantial investments to sell and service electric vehicles. Installing electric chargers, purchasing special equipment, parts and tools and investing in training sales and service personnel can be

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stretch back decades, would occur when the dealership either switches to first in, first out accounting, changes hands or closes, when all its assets are accounted for and taxed.

What is the issue? Historically low levels of new-vehicle inventories in 2021 caused by COVID-19-related production issues meant that many dealers sold all or nearly all of their new vehicles, greatly reducing their LIFO reserve pools and making that long-deferred income suddenly taxable at the federal and potentially state level as regular income. Small dealerships especially are facing massive increases in their 2022 income tax bills as a result, though midsize and larger retailers on LIFO are affected as well.

What is being sought? Dealer groups, manufacturers, accountants and members of Congress have petitioned the U.S. Department of Treasury to invoke a never-before-used section of the federal tax code that would give dealers up to 3 years to restore their inventories to more normal levels. Doing so would not forgive the tax due; it would just pause the reckoning until inventory levels are restored. *Source: Automotive News "Why the inventory crunch has car dealers seeking U.S. relief from big tax bills." February 14, 2022*

[2] NADA also supports the "Supply Chain Disruptions Relief Act" (H.R. 700/S. 443), See NADA's one page issue brief attached and for more information see nada.org/lifo.

costly for an individual business. For example, a Level 3 charger can cost anywhere from $100,000 to $200,000, a significant commitment for a small business.

Passage of H.R. 700 would help provide continued investments in jobs in local and rural communities in Oklahoma as dealers are vital contributors to our state's economy. Dealers in Oklahoma average 52 employees per store and statewide dealerships are responsible for over 25,000 total jobs. The average annual earnings per dealership employee in Oklahoma is $72,345. Additionally, our dealers pay $1.2 billion annually in Oklahoma state sales tax. Significantly, dealers help the community by supporting civic and charitable organizations and other local businesses that help stimulate local economies. These investments and tax revenue provided by dealerships help keep local and rural communities vibrant.

Conclusion

OADA respectfully urges the U.S. House of Representatives to swiftly pass H.R 700, the "Supply Chain Disruptions Relief Act," to address this unprecedented supply chain issue that has severely impacted vehicle inventory and the auto industry. The bill is identical to the bills from last Congress which received overwhelming bipartisan support[3] and passed the Senate without opposition on Dec. 22, 2022. The Treasury Department has also expressed interest in working cooperatively with Congress for a legislative solution. Small businesses, local workers and rural communities would benefit from the timely passage of this important legislation. Thank you for your consideration.

Attachment: NADA – "Support Pandemic-Related 'Supply Chain Disruptions Relief Act" (H.R. 700/S.443) Bipartisan LIFO Relief Needed Due to a Major Foreign Trade Interruption of Auto Production.

[3] Last Congress, H.R. 7382 had 174 cosponsors (96R, 78D), and S. 4105 had 59 cosponsors (35R, 23D, 1I).

National Automobile Dealers Association

Support Pandemic-Related "Supply Chain Disruptions Relief Act" (H.R. 700/S. 443)
Bipartisan LIFO Relief Needed Due to a Major Foreign Trade Interruption of Auto Production

ISSUE

Vehicle assembly plants around the globe ceased or slowed production during the pandemic, drastically reducing new vehicle inventory. The shortfall worsened with the worldwide shortage of semiconductors, which are increasingly essential to vehicle production. With no way to replenish vehicle inventory, dealers using the last-in, first-out (LIFO) method of accounting are facing major unanticipated tax liability due to circumstances beyond their control. The Treasury Department has existing authority to allow LIFO relief to businesses if a "major foreign trade interruption" makes inventory replacement difficult. Despite broad bipartisan support for Treasury's use of its authority, Treasury has declined as it believes additional legislative authority is needed. The "Supply Chain Disruptions Relief Act" (H.R. 700/S. 443) would determine that the requirements under existing law have been met for new vehicles due to pandemic-related foreign trade interruptions which created inventory shortfalls. The reintroduced legislation is identical to the bills from last Congress which received overwhelming bipartisan support and passed the Senate without opposition. **Congress should pass "Supply Chain Disruptions Relief Act" to allow businesses on LIFO extended time to replace vehicle inventories as pandemic-related global disruptions and reduced auto production made it nearly impossible to replenish new vehicle supply.**

BACKGROUND

In 1980, Congress provided the Treasury Department authority (Sec. 473 of the Internal Revenue Code) to grant temporary LIFO relief to businesses if a "major foreign trade interruption" makes inventory replacement difficult or impossible. As the pandemic slowed or stopped production at vehicle assembly plants and suppliers across the globe, dramatic supply constraints helped create the lowest dealer inventory levels in 50 years. To reduce LIFO recapture tax liability, dealers must generally restock inventory by year's end as shortfalls can be taxed as ordinary income. Dealers on LIFO, however, were powerless to replenish inventories, resulting in large, unanticipated tax liabilities for many small business dealers.

The "Supply Chain Disruptions Relief Act," provides a congressional finding that the conditions necessary to grant LIFO relief under existing law have been met. The Alliance for Automotive Innovation and a White House Fact Sheet have documented that automakers could not complete the final assembly of sufficient vehicles, and dealers were unable to sufficiently replace inventory, due to pandemic-related foreign trade interruptions, including a severe shortage of critical semiconductor chips. The bill would allow dealers to delay the recognition of income triggered by LIFO recapture for tax years 2020 and 2021. Given the lingering supply chain disruptions, the bill extends the period to replenish inventory and compute LIFO reserve/recapture to the end of 2025 to allow vehicle production to normalize.

KEY POINTS

- As a result of supply chain disruptions beyond the dealers' control, LIFO recapture will trigger significant, unexpected tax liability, imposing massive tax bills on small businesses that could otherwise be used to invest in workers, EV infrastructure, and replenishing vehicle inventory as it becomes more available.
- The Treasury Department has indicated its support and interest in working cooperatively with Congress for a legislative solution to this unprecedented supply chain issue that severely impacted vehicle inventory and the auto industry.
- The "Supply Chain Disruptions Relief Act," is technical and noncontroversial legislation that is identical to the bills from last Congress which received overwhelming bipartisan support

STATUS

On Feb. 1, Reps. Jodey Arrington (R-Texas) and Dan Kildee (D-Mich.) reintroduced the "Supply Chain Disruptions Relief Act" in the House, and Sens. Sherrod Brown (D-Ohio) and Tim Scott (R-S.C.) reintroduced the Senate version on Feb. 15 along with 48 Senators. Last Congress, the Senate bill, which had 60 cosponsors, passed the Senate unanimously on Dec. 22. The previous House bill had 175 House cosponsors, but time ran out before the bill's consideration at the end of the Congress. **Members are urged to pass the "Supply Chain Disruptions Relief Act," to provide relief to businesses facing difficulty replacing vehicle inventory due to the unprecedented supply chain shortages.**

February 16, 2023

OKLAHOMA FARM BUREAU
2501 N STILES • OKLAHOMA CITY, OK 73105-3126 • (405) 523-2300

March 6, 2023

RE: House Ways & Means Committee Field Hearing
"State of the American Economy: The Heartland"
Yukon, Oklahoma, March 7, 2023

Members of the House Ways & Means Committee:

Thank you for coming to Oklahoma to hear about the "State of the American Economy" in Oklahoma. We are pleased to have an Oklahoma Farm Bureau member, Kelli Payne, testifying before the committee.

Oklahoma Farm Bureau is Oklahoma's largest agricultural organization with about 83,000 member families. We represent persons involved in all types of agricultural production, and from the smallest to the largest operations. We represent our members' policy positions at the state legislature, in Congress and at state and federal agencies. We are affiliated with the American Farm Bureau Federation.

Oklahoma is always in the top 5 in the nation in number of cattle. Oklahoma's abundant range and pasture land is well-suited for livestock grazing and hay production. We are also known for our chicken and pork production. Oklahoma's most recognizable crop is hard red winter wheat, which is excellent for winter livestock grazing and producing grain for baking bread. We also grow cotton and soybeans.

One of the largest challenges of farming and ranching is that it is risky. This recent drought that we are enduring is a good example. Tens of thousands of cattle have been sold in Oklahoma prematurely because there was nothing for them to eat. Pastures are bare and ponds are dry. Crops cannot grow without moisture. No precipitation relief is in sight for much of the state.

Inflation is a huge challenge. The cost of inputs, like fertilizer, seed and chemicals have increased. Farmers and ranchers can't add a surcharge to their products, like other businesses have done.

The Farm Bill is essential to the health of production agriculture in the U.S. U.S. citizens enjoy one of the safest, most abundant food supplies in the world. That is not by accident. The Farm Bill has become critical to maintaining production agriculture in this country.

Farmers and ranchers need to continue to manage their risk though federal crop insurance and commodity programs. We need to see the continuation of a counter-cyclical program like the Price Loss Coverage program and a revenue program like the Agriculture Risk Coverage. We need a robust crop insurance program. Our producers need access to capital. We support maintaining funds for federal conservation programs which produce environment benefits. We have provided a list of our 2023 Farm Bill Policy Priorities to our Oklahoma congressional delegation.

The federal government can help those in agricultural production by removing unnecessary and burdensome regulations that interfere with production. We need a reasonable definition of "Waters of the United States" that doesn't have the EPA and U.S. Army Corps of Engineers requiring permits on land without water. We have lost the use of many pesticides because of continuing litigation. The process the EPA uses to consult with the U.S. Fish and Wildlife Service to assess the effect of pesticides on endangered species is broken and needs a complete overhaul. This administration has not been aggressive enough about trade, negotiating trade agreements and opening new markets. The products we produce are traded in a global market.

We believe that tax laws must protect, not harm the family farms that grow America's food and fiber, often for rates of return that are already minuscule compared to almost any other investment they could make.

While the new higher exemption levels set by the Tax Cut and Jobs Act protect the vast majority of our nation's farms and ranches from the devastating consequences of estate taxes, the exemption level expires after 2025 and will return to the $5.5 million person/$11 million per couple. We believe that the $11 million per person/$22 million per couple indexed estate tax exemption that was passed as part of the Tax Cuts and Jobs Act should be permanent and that unlimited stepped-up basis should continue. We would like to see the current exemption made permanent as a step toward permanent repeal. We need tax policies that do not punish capital-intensive businesses like farms and ranches, and that do not hinder sons and daughters from following the agricultural legacy of their parents.

We appreciate the opportunity to provide these comments. Thank you for your consideration in this matter.

Sincerely,

Rodd Moesel

Rodd Moesel
President

cc: OKFB Board of Directors

OKLAHOMA PORK COUNCIL

March 20, 2023

Dear Members of the Committee on Ways and Means:

On behalf of Oklahoma's pig farmers, thank you for this opportunity to share about pork's role in our state's economy and our nation's protein supply chain. I was encouraged to see challenges faced by Oklahoma agriculture discussed at your recent "State of the American Economy: The Heartland" Field Hearing in Oklahoma City, and I echo many sentiments made by Oklahoma cattle rancher and friend of pork Kelli Payne.

The Oklahoma Pork Council, a farmer-led organization, represents the interests of all Oklahoma pig farmers. From large-scale commercial operators to first-time 4-H and FFA exhibitors, our hope is that every Oklahoman who raises pigs has been positively impacted by our mission. According to an economic impact study for the National Pork Board, Oklahoma's pork industry supports more than 34,000 jobs throughout the various stages of production. This translates to roughly one in every 50 Oklahoma jobs being supported by pork, many in rural communities. Many of those jobs stem from the impressive magnitude of Oklahoma's swine farrowing operations. In fact, the latest quarterly Hogs and Pigs Report from the United States Department of Agriculture listed Oklahoma as tied with Minnesota for the fourth largest sow herd in the nation at 490,000 breeding animals in the fourth quarter of 2022. Herd rankings vary over time, but Oklahoma is consistently home to more than 460,000 sows with farms in more than half our state's counties.

Oklahoma pig farmers have long been committed to six "We Care" ethical principles to sustainably provide a safe, affordable, nutritious protein to customers in Oklahoma and around the world. These six priorities include food safety, animal well-being, public health, the environment, our people, and our community. In tandem, these principles are the foundation of a successful pork industry that seeks to help feed the world.

Because commercial pork production largely takes place in technologically advanced indoor facilities placed in remote areas of the state, many people do not realize the significant economic impact the swine industry has on Oklahoma's economy. The same National Pork Board study that measured job creation also found hog sales generated 14.5 percent ($976 million) of Oklahoma's annual cash receipts from all agricultural commodities, meaning pork has grown to Oklahoma's second largest agricultural enterprise behind cattle production in recent years.

To feed an ever-growing global population, Oklahoma pig farmers continue answering the call for consistent, quality animal protein. Their diligence remains admirable amidst market volatility, rising input costs, burdensome regulation, shifting consumer trends, and other challenges. These producers need a federal government that celebrates their contributions to our nation, not one seeking to regulate or tax them out of existence. We look to the Committee on Ways and Means to keep the essential nature of production agriculture at the forefront of your minds when making decisions on taxation and other revenue-raising measures. We also hope the Committee can push the Administration to work with Congress to improve and expand market access for highly desirable products like American pork to eager consumers around the world. Finally, we ask each Committee member to passionately support rural America through passage of a strong Farm Bill before the 2018 version expires this September. Many Farm Bill programs related to animal health are of critical importance to our state and nation's swine herd.

Again, thank you for your time focused on Oklahoma and our state's vibrant agriculture sector. If you would like to learn more about pork production or further discuss relevant issues to pig farmers, please contact the Oklahoma Pork Council at 405-232-3781. We would be honored to share more about our incredible industry.

Sincerely,

Kylee Deniz
Executive Director of the Oklahoma Pork Council

Field Hearing on the State of the American Economy: The Heartland

March 16, 2023

Ways and Means Committee
1139 Longworth HOB
Washington D.C. 20515

Subject: Field Hearing on the State of the American Economy: The Heartland

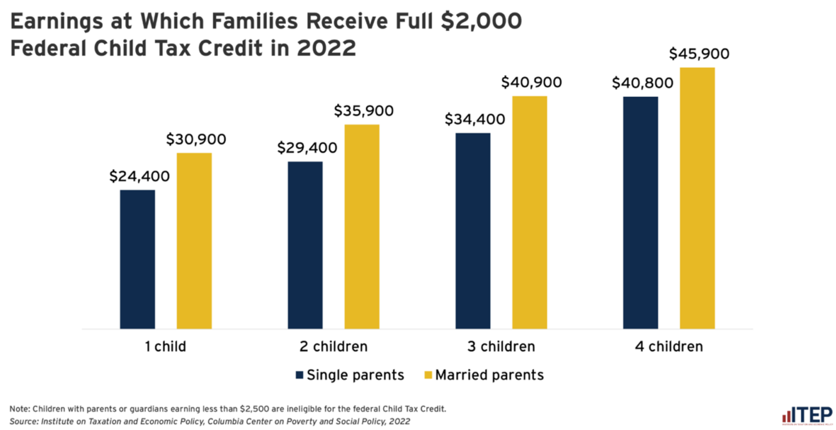
Honorable Chair, Ranking Member, and Committee Members:

We, at RESULTS, write to you today to share our thoughts on the state of the American Economy in the Heartland. RESULTS is a movement of passionate everyday people who seek to build the political will to end poverty. Our volunteer advocates come from all walks of life such as nursing, engineering, farming, social work, nonprofit, law enforcement, emergency services, and construction. We also come from all 50 states but are particularly strong in the heartland states of Indiana, Michigan, Ohio, and Missouri. What we all have in common is our shared desire to do something to address the deep poverty we see in our communities and around the world. We also have a cohort of advocates with lived experience of poverty in the U.S. -- and repeatedly we have heard that **the tax code does not work for families with low-incomes, and all too often, it works against the poorest of us.**

For too long, tax policy has been a driver of inequality – providing benefits and incentives for those who are wealthy while often failing to focus on reducing hardship and creating opportunity for the lowest-income families. We believe that Congress must create a tax code that addresses rampant poverty, the affordable housing and homelessness crises, and helps families who work hard just to get by to finally get ahead. **American families deserve the opportunity to thrive, not just survive.**

One of the most effective tax provisions that ***can*** work for families is the Child Tax Credit (CTC). The Child Tax Credit helps offset the costs of raising kids and has had bipartisan support for decades. Unfortunately, the way the CTC is currently structured leaves out 19 million kids, most of them simply because their parents work in low-wage jobs. This is disproportionately true in rural communities, of which there are many in the heartland and across the nation. In rural areas, a higher percentage of families are not eligible for the CTC because of the lower wages paid in these areas. Families must have high annual earnings to be fully eligible for the CTC.

As the graph below shows, a family needs to earn between $25,000-$45,000 to earn the full CTC benefit, while married couples making $400,000 get the full benefit. This means a family with one earner working full-time for $10/hr. is left out of the full benefit of the CTC. **This is wrong.**



In addition to families working for low wages, many other types of families are excluded from CTC benefits, in part or in full, because the caregiver may be a retired grandparent who is caring for their grandchild, a disabled parent/parent of a disabled child, or could also be a mother who is in the first year of a newborn child's life.

It doesn't have to be this way, the tax code can work for everyday people, like us volunteers at RESULTS, and help people move out of poverty. When the CTC is done correctly and made accessible to those who need it the most, it provides additional income to families struggling to make ends meet. **It gives them the opportunity to not just survive, but to thrive.**

RESULTS was encouraged to hear reports in the media that the Chairman is focused on improving the CTC and that it is an area where he is willing to work across the aisle to get something done. RESULTS is eager to work in a bipartisan way to ensure the CTC is fully refundable and expanded to reach the most children as possible. As a nonpartisan, anti-poverty advocacy group, we applaud those efforts and encourage members of the

Committee to work together to improve the CTC so that it reaches those families who need it the most. **In our first addendum to this letter, you will find a testimonial from a RESULTS volunteer and parent about the importance of the CTC**. **In the second addendum, you will find media that RESULTS members have published across the heartland in support of the CTC.**

Best Regards,

RESULTS

Addendum 1

Testimonial from Heartland Parent on the Importance of CTC

I'm a married citizen with four children and the CTC really helped my husband and I each month. It allowed us to come out of the red within our budget, save some money, have more family outings, and buy extra groceries. We are a family of six that is managing, but don't make enough to qualify for any assistance. We are blessed to manage on a very tight budget. When I look at what we bring home and what we must pay out. It just doesn't add up, but by the grace of God we get by.

The CTC would be beneficial to families all over. Especially, with the rising of gas prices and food etc. We aren't looking for charity or handouts, but the extra help the CTC provides helps to alleviate stress. It will help families like us get to the next level and give us the chance to thrive. Especially, when those individuals have plans to prosper but don't have the extra means to do so. Many of us weren't born into generational wealth. So, we literally do what it takes to make it and provide for our families and do it the right way.

Most jobs don't pay a lot, even when you have a degree. My degree seems to not matter because I'm not paid what I know I'm worth. Student loan debt is real, health insurance, and Lord forbid a chronic illness happens. That alone would be enough to drive our family into poverty.

Overall, I speak for myself and every American family who's living the so called "American Dream." We demand to be heard on the state level on up to Capitol Hill. People are trying to manage in a society that only seems to care about money and power!

Let that go and unify for the good of us all no matter rich, in between, or just poor, Republican or Democrat. Families are suffering and the extra funds the CTC provides will be beneficial to those who need it most.

I urge the Ways and Means Committee to expand the CTC. The CTC provides funds to families and lets them choose how to best use it in their own families. When families are trusted by the Federal Government to do what is best, just watch while we prosper!

Addendum 2

Media published by RESULTS groups in the Heartland

Go to Arkansas media				
12/9/22	AR	Expand child tax credit	Arkansas Democrat Gazette	Letter to the editor
12/9/22	AR	Expand child tax credit	Northwest Arkansas Democrat Gazette	Letter to the editor
12/14/22	AR	Message to Congress: Help struggling families before it's too	Washington County Enterpris-Leader	Op-ed
Go to Colorado media				
3/24/22	CO	Senator Bennet cares about the children	Boulder Weekly	Letter to the editor
6/16/22	CO	Ask, listen, vote accordingly	Boulder Weekly	Letter to the editor
7/18/22	CO	Pass an expanded Child Tax Credit	Aurora Sentinel	Letter to the editor
12/5/22	CO	"Promote the general welfare" of children	Denver Post	Letter to the editor
12/7/22	CO	The Child Tax Credit should be renewed	Grand Junction Sentinel	Letter to the editor
12/26/22	CO	Housing: Let's make 2023 the year we end homelessness	Daily Camera	Letter to the editor
Go to Illinois media				

9/20/22		Expanded child tax credit reduced child poverty, so Congress must renew it	Chicago Sun Times	Letter to the editor
Go to Indiana media				
5/18/22	IN	Reader urges Congress to renew CTC	Daily Journal	Letter to the editor
11/4/22	IN	Tightening abortion laws reignite conversation around a permanent Child Tax Credit	Indianapolis Record	News article
11/12/22	IN	Child tax credit deserving of expansion	Journal Gazette	Letter to the editor
11/29/22	IN	Want to reduce poverty? Bring back monthly child tax credit payments.	Indianapolis Star	Op-ed
12/14/22	IN	Congress can extend struggling families a lifeline	Journal Gazette	Op-ed
Go to Iowa media				
1/31/22	IA	Why are we torching our best tool to end child poverty?	Times Republican	Op-ed
3/1/22	IA	Our Senators need to keep up fight against child poverty	Iowa City Press-Citizen	Letter to the editor
3/1/22	IA	Extend the 2021 EITC provisions	Muscatine Journal	Letter to the editor
Go to Kentucky media				
2/3/22	KY	Broaden Tax Credit	Lexington Herald Leader	Letter to the editor
3/18/22	KY	Child poverty	Lexington Herald Leader	Letter to the editor

6/27/22	KY	Tell Congress to ensure every child is fed	State Journal	Letter to the editor
10/11/22	KY	The Child Tax Credit saved my family, we must bring it back and make it permanent	Louisville Courier Journal	Op-ed
Go to Michigan media				
1/30/22	MI	Tell our lawmakers to pass new child tax credit proposals	Detroit Free Press	Letter to the editor
12/18/22	MI	Extend the child tax credit to poorest families	Detroit Free Press	Letter to the editor
Go to Minnesota media				
2/14/22	MN	Time getting tight to address poverty	Duluth News Tribune	Letter to the editor
3/22/22	MN	Stop accepting the status quo of poverty	Duluth News Tribune	Letter to the editor
5/2/22	MN	Alternative option to the filibuster	Duluth News Tribune	Letter to the editor
6/20/22	MN	Working together is the key to progress	Duluth News Tribune	Letter to the editor
7/27/22	MN	Use our votes to strengthen democracy	Duluth News Tribune	Letter to the editor
10/8/22	MN	This is how a successful democracy works	Duluth News Tribune	Letter to the editor
11/8/22	MN	Extend tax credits for kids	Minneapolis Star Tribune	Editorial
Go to Missouri media				

5/21/22	MO	Child tax credit must be extended	Joplin Globe	Letter to the editor
5/22/22	MO	Extend child tax credits to keep kids out of poverty	St. Louis Post-Dispatch	Letter to the editor
6/9/22	MO	Author/advocate sets inspiring example	St. Louis Jewish Light	Letter to the editor
7/7/22	MO	Congress can act to alleviate child poverty	Columbia Missourian	Letter to the editor
8/12/22	MO	Inflation Reduction Act sadly missing Child Tax Credit	St. Louis Post-Dispatch	Letter to the editor
8/14/22	MO	Pushing a stroller while advocating for change: St. Louis author says moms can do both	St. Louis Post-Dispatch	News feature
9/19/22	MO	We need to expand the Child Tax Credit	Joplin Globe	Letter to the editor
9/30/22	MO	Congress should find a way to make child tax credit permanent	Columbia Missourian	Letter to the editor
10/7/22	MO	Senate should make child tax credit permanent law	St. Louis Post-Dispatch	News feature
11/15/22	MO	Renew the Child Tax Credit to stave off hunger, poverty	St. Louis Post-Dispatch	Letter to the editor
11/27/22	MO	No corporate tax breaks unless child tax credit passes	Joplin Globe	Letter to the editor
12/10/22	MO	Before retiring, Blunt should back the child tax credit	St. Louis Post-Dispatch	Letter to the editor
12/11/22	MO	Thanks, Sen. Blunt	Kansas City Star	Letter to the editor
12/12/22	MO	Pass expansion of Child Tax Credit	Joplin Globe	Letter to the editor

12/15/22	MO	Congress should act now to extend child tax credits for families	Columbia Missourian	Letter to the editor
12/16/22	MO	Blunt's Legacy	Kansas City Star	Letter to the editor
Go to Ohio media				
2/6/22	OH	Child Tax Credit helps reduce child poverty and should be a priority for us all	Columbus Dispatch	Letter to the editor
3/9/22	OH	To help children succeed, permanently restore monthly Child Tax Credit payments	Cleveland Plain Dealer	Letter to the editor
3/19/22	OH	Child Tax Credit must be permanent, period	Toledo Blade	Letter to the editor
6/24/22	OH	Permanently expand Child Tax Credit	Columbus Dispatch	Letter to the editor
7/30/22	OH	Now help children	Columbus Dispatch	Letter to the editor
9/13/22	OH	A.J. Wagner belonged to the whole community	Dayton Daily News	Op-ed
11/17/22	OH	Congress should prioritize an expanded Child Tax Credit over corporate tax breaks	Cleveland Plain Dealer	Letter to the editor
Go to Oklahoma media				
5/22/22	OK	Child tax credit should be renewed	Tulsa World	Letter to the editor
10/11/22	OK	Child Tax Credit missing from bill	Lawton Constitution	Letter to the editor
11/8/22	OK	Extend child tax credit now	Lawton Constitution	Editorial

Go to Pennsylvania media				
1/8/22	PA	Build better	Pittsburgh Post-Gazette	Letter to the editor
1/10/22	PA	Pass Build Back Better Act	Trib Live	Letter to the editor
3/18/22	PA	Compassion on the home front	Pittsburgh Post-Gazette	Editorial
10/20/22	PA	New anti-poverty program spans five counties	Times Leader	News article
11/6/22	PA	Extend child tax credit now	Pittsburgh Post-Gazette	Editorial
11/10/22	PA	Extend child tax credit now	Bedford Gazette	Editorial
12/5/22	PA	Our two Congressmen can address child poverty	Sentinel	Letter to the editor
Go to Wisconsin media				
3/26/22	WI	Tax credit reduces child poverty rate	Wisconsin State Journal	Letter to the editor

Comments for the House Committee on Ways and Means
March 7, 2023
"The State of the American Economy: The Heartland"
Comments from Scott Neufeld

Thank you for the opportunity to provide comments for this hearing. I farm and ranch in partnership with my son, who is a 5th generation agricultural producer in northwest Oklahoma. We have a diversified farming operation consisting of growing wheat, alfalfa, commercial cow/calf pairs and stocker cattle on 3,200 acres of cultivation and 1,100 acres of grass. We also rotate crops of sesame, canola, and grain sorghum. I am an active member of the Oklahoma Farm Bureau and I serve on the Farm Policy Advisory Committee to the American Farm Bureau Federation. I also serve on the Farm Credit of Western Oklahoma Board of Directors.

Rising interest rates during this recent period of inflation have changed my decision-making process regarding capital purchases. Our profit margins in the wheat belt are tight. Couple the drought and tight margins with skyrocketing input costs and the 4 to 5 percent rise in interest rates makes us all reevaluate our options, trying to find a way to stay in business.

Ad hoc disaster programs and COVID-19 relief have been needed but have not come in a timely manner. I would like to see the Farm Bill written so that we wouldn't have to rely on ad hoc programs. My preference would be to increase the baseline in Farm Bill in lieu of ad hoc programs. One of the difficulties in writing a five-year Farm Bill is you can't predict a disaster. Who would have predicted the economic and market impacts from the COVID-19 pandemic, Russia invading Ukraine, or the possibility of China invading Taiwan? I understand the Farm Bill must be scored and work its way through the budgetary process but I wish there was a way to write some of these risks into a true farm safety net.

For most producers, their primary source of risk protection is crop insurance. It is paramount that we keep a robust crop insurance program in place. The USDA Risk Management Agency should be commended for doing a good job of providing risk management tools even for specialty crops. The premium subsidies help make this product an affordable tool to protect our commodities. I would also commend their ability to adapt policies and products to specific growing regions throughout our country. Farm Service Agency programs help mitigate shallow losses that wouldn't affect more than 10-15% of my income with most of those payment limits capped at $125,000. This cap has been at this amount for the last two farm bills and the truth is $125,000 doesn't buy what it did 10 years ago and needs to be raised. Crop insurance allows us to cover our deep losses, which in a drought year as we have just experienced, has provided the income needed to keep our farm operating.

The supply chain disruptions we experienced during COVID-19 still haven't caught up to the demands in the market place, whether it's a computer chip or other goods. Equipment dealers and manufacturers are still having difficulty having an inventory of parts that is sufficient. Labor shortages need to be dealt with in a meaningful way. If there are 2 jobs for every person on unemployment, some help for retraining needs to be taking place.

The high price of fertilizers and chemicals has magnified the need to bring more of the production of these products back home to the US. Helping reduce regulation and providing incentives to enable these companies to manufacture these products domestically would also provide a safety and security factor to our food supply as opposed to trusting other countries for these goods. The prices of fertilizers and chemicals skyrocketed, doubling, and tripling in a matter of months. These prices have been slow to correct but we are beginning to see some relief in these areas.

A strong farm safety net with crop insurance being the base to these farm programs is essential to our American food supply and security. The only way to accomplish these goals is to help people understand that the food supply of this nation is also a national security issue. We as agricultural producers provide one of the safest, most affordable, and diverse food, fiber and fuel supplies in the world and we must protect that interest and the people that risk so much to provide it!

Thank you,

Scott Neufeld