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THE BENEFITS OF TAX REFORM ON
THE ENERGY SECTOR AND CONSUMERS
WEDNESDAY, JUNE 20, 2018

House of Representatives,
Subcommittee on Energy,
Committee on Energy and Commerce,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:08 a.m., in Room 2123, Rayburn House Office Building, Hon. Fred Upton [chairman of the subcommittee] presiding.

Present: Representatives Upton, Olson, Barton, Shimkus, Latta, Harper, McKinley, Griffith, Johnson, Long, Bucshon, Flores, Mullin, Hudson, Walberg, Duncan, Walden (ex officio), Rush, McNERney, Green, Doyle, Castor, Sarbanes, Tonko, LoebSack, Kennedy, and Pallone (ex officio).

Staff Present: Jennifer Barblan, Chief Counsel, Oversight and Investigations; Mike Bloomquist, Staff Director; Samantha Bopp, Staff Assistant; Kelly Collins, Legislative Clerk, Energy/Environment; Wyatt Ellertson, Professional Staff, Energy/Environment;

Margaret Tucker Fogarty, Staff Assistant; Ali Fulling, Legislative Clerk, Oversight and Investigations, Digital Commerce and Consumer Protection; Jordan Haverly, Policy Coordinator, Environment; Zach Hunter, Director of Communications; Milly Lothian, Press Assistant and Digital Coordinator; Mary Martin, Chief Counsel, Energy/Environment; Sarah Matthews, Press Secretary; Drew McDowell, Executive Assistant; Brandon Mooney, Deputy Chief Counsel, Energy; Mark Ratner, Policy Coordinator; Annelise Rickert, Counsel, Energy; Austin Stonebraker, Press Assistant; Madeline Vey, Policy Coordinator, Digital Commerce and Consumer Protection; Hamlin Wade, Special Advisor, External Affairs; Andy Zach, Senior Professional Staff Member, Environment; Jeff Carroll, Minority Staff Director; Rick Kessler, Minority Senior Advisor and Staff Director, Energy and Environment; John Marshall, Minority Policy Coordinator; Alexander Ratner, Minority Policy Analyst; Andrew Souvall, Minority Director of Communications, Outreach and Member Services; and Tuley Wright, Minority Energy and Environment Policy Advisor.

Mr. Upton. Good morning, everybody. The chair would recognize myself for an opening statement.

So welcome to today's hearing where we are going to be focusing on the benefits of the tax reform on the energy sector and consumers.

As we all know, last December Congress passed the Tax Cuts and Jobs Act of 2017. This new law is the most comprehensive rewrite of the Tax Code in more than 30 years. Across the country, its impact on our economy is already evident in the form of reduced tax burdens and more money in the pockets of middle class Americans.

Today we are going to focus on the effects of tax reform on the energy sector. I would like to welcome our witnesses who will share their perspectives on how that reform is impacting their businesses.

Across the country, the Tax Cuts and Jobs Act is resulting in widespread economic benefits, providing tangible relief for American workers and their families. The savings resulting from tax reform is now beginning to reinvigorate our national economy and a renewed confidence and the lower cost of doing business is resulting in bigger paychecks, more jobs, and, yes, more benefits.

It is not just political rhetoric. We actually are seeing the benefits of tax reform across the U.S. economy.

Since the beginning of 2018, the country's GDP has risen by 2.2 percent. Small business owners are experiencing the benefits of tax reform, with over three-quarters indicating that they believe the current business climate is heading in a positive direction and 87 percent expecting that it will have a positive impact on the economy.

The savings from tax reform are allowing these companies to reinvest in their

employees through wage increases, in bonuses, and more benefits.

These perceptions are also supported by the hard numbers. According to CBO, the Tax Cuts and Jobs Act is estimated to grow wages by \$1.2 trillion over the next decade.

In Michigan, Penske Automotive recently announced that, as a result of tax reform, they would increase company matching 401(k) contributions for employees from 1.5 to 2.5 percent.

The benefits of tax reform can be measured by employment numbers as well. Businesses are increasing hiring new employees. Last month, 223,000 new jobs were created. In addition, there are 6.7 million job openings with only 6.4 million available workers to fill them -- obviously, more jobs than people out of work, something the American economy has never before experienced.

Energy companies have experienced firsthand the benefits of the recent tax reform. Since the passage of the Tax Cuts and Jobs Act, utility companies in 49 out of 50 States and D.C. have taken action to pass their tax savings on to their customers. In Michigan, several utilities, such as Consumers and DTE Energy, have publicly announced their plans to pass on those savings to Michigan families and businesses.

Utility savings are happening all over the country. Currently, at least 102 utilities across the U.S. have lowered rates for consumers, and they are now seeing lower utility bills for their electricity, gas, and water. In Michigan, my State, it will result in DTE Energy passing along a savings of more than \$190 million to their 3.5 million customers.

Notably, FERC is also acting to ensure that reduction in the corporate income tax rate is reflected in the rates charged by the electric transmission, natural gas, and oil pipeline companies that it regulates.

Tax reform also has helped spur economic growth and investment for our Nation's

infrastructure sector and enabled the build-out of more energy infrastructure.

Recently, again in Michigan, our own ITC Holdings, an independent transmission company, announced that it would reduce its customer rates as a result of the lower tax rate. For capital intensive infrastructure tax reform is allowing greater long-term stability for large projects with longer construction timelines, and that translates into more American jobs and, indeed, helps strengthen our Nation's economy.

So today's witnesses represent businesses that are on the front line and have already experienced some of the effects of tax reform.

Thank you for being with us today. We look forward to your testimony on how the bill has impacted your businesses, employees, and customers.

[The prepared statement of Mr. Upton follows:]

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Mr. Shimkus. In your last 42 seconds, can I have your time?

Mr. Upton. Yes. I yield to the gentleman from Illinois.

Mr. Shimkus. Thank you.

We always want to welcome our visitors. I want to make a special shoutout to Mr. Sam McCammon, who is president of Anamet Electrical, Inc., which operates out of Mattoon, Illinois, which is in the 15th District of Illinois.

We are happy to have you and look forward to hearing your testimony.

With that, Mr. Chairman, thank you for the time. I yield back.

Mr. Upton. Thank you.

The chair would recognize the ranking member of the full committee for an opening statement, Mr. Pallone.

Mr. Pallone. Thank you, Mr. Chairman.

This hearing is nothing more than a blatant attempt by the Republican majority to tout its unpopular tax scam in the hopes that middle class Americans, who are not seeing any substantial benefits from the new law, might just reconsider their opposition. And I wouldn't bet on it.

The GOP tax scam remains enormously unpopular with the American people. They understand that the new law overwhelmingly benefits the wealthy and corporate interests while saddling them with rising healthcare costs, higher taxes on middle class homeowners, and drowning their children in new debt.

In fact, a poll released by Monmouth University on Monday shows that the majority of Americans are not fooled by this scam. Only 34 percent of the public approves of the Republican tax law, and the poll found that it is actually becoming less popular with time, dropping 6 points in approval since late April.

Republicans are obviously focusing this hearing around businesses, because it is

the corporate sector and the wealthy owners who reap the main benefits of the GOP tax scam, not middle class wage earners or their families. Since passage of the bill in December, real average hourly earnings have not budged.

In fact, a recent Washington Post analysis of the data released by the Trump administration's Bureau of Labor Statistics showed that real average hourly earnings year over year have actually gone down slightly.

So it is easy to see why Republicans don't want to focus on the bill's impact on real wages for working Americans.

Now, even if you are a middle class family who thought you might benefit from the GOP tax scam, chances are the policies pushed by President Trump and congressional Republicans have more than wiped out that benefit.

For instance, healthcare premiums are on the rise thanks to the tax bill eliminating the Affordable Care Act's individual mandate. The Congressional Budget Office recently stated that the average premium for a benchmark health plan is about 34 percent higher than it was in 2017. And CBO and the Joint Committee on Taxation actually expect premiums for these plans to increase by an additional 15 percent from 2018 to 2019 as a result of the GOP tax bill's provisions.

From an energy perspective, gas prices at the pump are also going up, thanks in large part to President Trump's reckless Middle East policy and his rollback of fuel economy standards. In the last 3 months, those actions have helped feed a 40-cent spike in the price of gas.

In fact, the price at the pump has risen nearly 25 percent since President Trump took office. Analysts at Morgan Stanley have estimated that the increase this year alone will probably devour a full third of any savings people might have seen from the GOP tax plan.

For those in my home State of New Jersey, the GOP tax scam has been particularly painful. Elimination of a huge portion of the State and local tax deduction is increasing taxes on people who already pay huge amounts of Federal tax.

And it is not just New Jersey. The same is true for middle-income homeowners in New York, California, Illinois, Connecticut, Oregon, Massachusetts, Minnesota, and Rhode Island. Taxpayers in Pennsylvania, Wisconsin, and Virginia will also feel the pinch.

So Americans understand that the GOP tax scam bill is only rewarding the wealthiest among us while drowning our children's future in a sea of debt. It has already increased the debt to \$20 trillion, and CBO has predicted that the annual budget deficits will start to hit the \$1 trillion mark by 2020.

And what do Republicans do when they create deficits by cutting taxes without paying for it? They then propose cuts to Social Security, Medicare, and Medicaid. Speaker Ryan has already talked about so-called reform of these popular programs, and now the Republican budget proposal unveiled just yesterday includes drastic cuts to all three programs.

So, Mr. Chairman, the Republican tax law is a scam that benefits the wealthy and the corporate interests. The American people are not fooled, and no rhetoric thrown out today is going to change that fact.

I don't know if anybody wants my extra minute. If not, I will yield back.

[The prepared statement of Mr. Pallone follows:]

***** COMMITTEE INSERT *****

Mr. Upton. The gentleman yields back.

The chair recognizes the chair of the full committee, Mr. Walden, for an opening statement.

The Chairman. Well, Mr. Chairman, thank you for having this hearing.

I want to thank our panel of witnesses for being here. You might imagine we have a different point of view on this side of the aisle. It is actually your money to start with, and government has a lot of waste, fraud, and abuse that needs to be dealt with.

And we are actually growing the economy and growing jobs. The lowest unemployment rates in decades.

And the American people are responding. When you look at right track, wrong track, where the country is headed, it is moving in the right direction. When you look at their confidence in the economy, headed in the right direction.

Then, if you actually get home and talk to people that are affected, like I do every week, I was out in Bend, Oregon, this weekend, and I met with the folks at GoodLife Brewing. That is a little startup, mom-and-pop, family-owned brewery and distillery, started, I don't know, 6, 8 -- oh, they started in 2010. It has been 8 years. And they proudly said just the change in the excise tax on beer will save them \$75,000.

They said, "We are not putting that in our pocket. We are hiring two more people part-time and investing in new equipment."

And I said, "And don't forget, the tax also said you get to write off that equipment right away."

I was a small business owner for 21 years with my wife. When you have signed the front of a payroll check, it makes a difference and you understand the importance of the changes we made in the Tax Code to grow the economy.

Now, I only visit them because these microbreweries, we have got 243 of them in

Oregon, do value-added agriculture. And I want to make sure that those value-added agricultural products are meeting quality assurance. So you have got to do product testing from time to time in this job.

Mr. Shimkus. That is a joke, people.

The Chairman. Yeah. I know. Couldn't hear. The door is open.

So I went to the Walmart distribution facility, 816 employees in my district working at Walmart. They all got bonuses. They got their incentive comp, which they earned. And then they are going to get the tax cut.

These are real working people who felt left behind in the past. Between the bonuses and the tax cuts, it could be a couple thousand bucks.

Now, I know Nancy Pelosi and the Democrats think that is crumbs. They said that. They would repeal all this stuff. They never did support it. Not a single Democrat voted to cut taxes in America. And so we did.

And the result was we don't have to live with a 1.5 percent GDP growth, which is what the Democrats told us America was only capable of.

Instead, we have lifted the dead hand of overgovernment regulation and incited the private sector to create new jobs, and they are doing it in record numbers -- a million new jobs since the tax cuts were passed just 6 months ago. And as my chairman pointed out, there are now more job openings than there are people to fill them.

Now, that is a heck of a lot better than what we did during the Obama years when we argued about how much longer we needed to extend unemployment benefits and how we better just settle in at 1.5, 2 percent economic growth. That was their vision for America: regulate, tax, and restrict.

Ours is about freeing up energy, creating new jobs all across America. And I think you are seeing that happen.

Now, those weren't my prepared remarks, so let me move on to these. When you just live it every day, you kind of see it firsthand.

Because I want to talk about energy, because in my State we are seeing the energy companies say, "We are going to pass on all these savings back to ratepayers and customers."

And it is across every one of these. So you are going to see not only wage increases that have been announced, tax savings that have been announced, but on your energy bill, reductions. Because under our law, they have got to pass that back.

Now, some of them are still figuring out their rates and everything for next year. But those savings are going to go back in lower heating bills, lower electricity bills, lower energy bills. That is real money for people. They will save.

And so I just, I am glad. We want to hear your stories. I have read your testimony. Look, this is really important.

We are going to see economic growth of 3, some say as much as 4 percent, maybe even higher than that. And you think what that will do. And I just think we should be optimistic about this.

We lived 8 years under their plan. How did that work out for you? Now the kids can move out of their parents' basement. They don't have to stare up at the old Obama campaign sign anymore. And they can actually go to work. It is a hell of a deal.

And so we are seeing an economy that is growing. We are seeing a country that is thriving. And we have got new innovation and new opportunity.

And that is what this committee is all about. It is putting the consumer first. It is freeing access to our resources. It is building our broadband. It is cutting through the bureaucratic nightmare that restricts permits and new development. We are moving forward, and it is showing in the numbers.

And with that, Mr. Chairman, I am happy to yield back.

[The prepared statement of The Chairman follows:]

***** INSERT 1-2 *****

Mr. Upton. The gentleman yields back.

The chair would recognize the ranking member of the subcommittee, Mr. Rush, for 5 minutes for an opening statement.

Mr. Rush. I want to thank you, Mr. Chairman.

Mr. Chairman, tax reform is an interesting topic for an Energy Subcommittee hearing. Why tax reform when we consider we do not have jurisdiction over tax policy?

Unfortunately, Mr. Chairman, I cannot sit here as if this is business as usual when we were currently facing a tragedy that is taking place as we speak at our southern border. If we are going to deviate in this hearing from the issues that are actually related to our jurisdiction, then let's deviate, Mr. Chairman.

I believe that time and our Nation would be better served by speaking up and speaking out against the Trump administration's mean-spirited, racist, and immoral new policy of separating immigrant children from their parents.

Mr. Chairman, this new policy is a blatant attempt to use these innocent young babies as pawns in the President's sick and twisted political game for getting what he wants in regards to immigration policy.

The fact of the matter, Mr. Chairman, is that Republicans control every branch of the government and they should be able to govern and enact policies that reflects their core values.

Mr. Chairman, babies unborn and babies born must be our Nation's priority. Ripping young children away from their parents in order to extort money for a wall is both evil and inhumane. And it is about time that members of the Republican Party stand up to the entitled blowhard currently occupying the White House.

The silence by so many Republican Members of Congress in light of so many misguided, asinine, and un-American decisions by this administration is both shameful

and telling.

The fact of the matter, Mr. Chairman, is that either if my Republican colleagues endorse and agree with this policy on separating families at the border for political gain or they are opposed to it and they have decided that their political futures are more important than the character and representation of our great Nation.

Mr. Chairman, Ranking Member Pallone and I, along with many of our Democratic colleagues, will be sending Chairman Walden and Health Subcommittee Chairman Burgess a letter later today requesting a hearing as soon as possible to address this issue.

We need to examine how many of these children have been forcibly separated from their parents and forced into custody of the Department of Health and Human Services' Office of Refugee Settlement.

We also need, Mr. Chairman, to examine what type of mental and psychological damage and severe trauma that these children are being subject to stemming from this sinister and cynical policy of snatching them from their parents and rounding them up to be put in cages at such early and vulnerable stages of their lives.

As the Irish philosopher and father, Mr. Chairman, of modern conservatism once stated: "The only thing necessary for the triumph of evil is for good men to do nothing."

Mr. Chairman, we are at a pivotal time in our history, and we can no longer afford for good men to sit back, shake their heads in silence, or whisper about the wrongdoings privately being done behind the scenes.

No, Mr. Chairman, now is the time for Congress to grow a spine and reclaim our constitutional duty as an equal and separate branch of government ready and willing and able to serve as a check to a President who has seemingly gone mad.

Mr. Chairman, Proverbs 29:2, to quote the Bible, as the Attorney General tried to quote, but let's quote the Bible, Proverbs 29:2: "When the righteous are in authority,

the people rejoice; But when a wicked man rules, the people groan."

Mr. Chairman, if not now, when? If not us, then who will speak out against this evil?

I can assure you that this will not be the last time this issue comes up during business before this subcommittee. I urge all of my Republican colleagues to finally make their voices heard so we can surely represent the will and the spirit of the American people.

Lastly, Mr. Chairman, as Alexander de Tocqueville once observed: America is great because America is good. If America ceases to be good, then America ceases to be great.

Thank you, and I yield back the balance of my time.

[The prepared statement of Mr. Rush follows:]

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Mr. Upton. The gentleman yields back. Time has expired.

At this point we are going to entertain the testimony from our witnesses.

We appreciate you sending your testimony up in advance, and we will give each of you 5 minutes to summarize that, at which point we will do questions.

I will say that we are expecting votes around 11:15 or 11:20.

So, Ms. Wade, director of research and policy analysis from the NFIB, we welcome you and your organization here, and you are recognized for 5 minutes.

Thank you.

STATEMENTS OF HOLLY WADE, DIRECTOR, RESEARCH AND POLICY ANALYSIS, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; TOM FERGUSON, CHIEF EXECUTIVE OFFICER, AZZ, INC.; SAM MCCAMMON, PRESIDENT, ANAMET ELECTRICAL, INC.; AND SETH HANLON, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS

STATEMENT OF HOLLY WADE

Ms. Wade. Good morning, Chairman Upton, Ranking Member Rush, and members of the Subcommittee on Energy. On behalf of the NFIB, I appreciate the opportunity to submit for the record this testimony for your hearing entitled "The Benefits of Tax Reform on the Energy Sector and Consumers."

My name is Holly Wade, and I serve as the director of research and policy analysis of the NFIB Research Center. NFIB is the leading small business advocacy association, representing members in Washington, D.C., and all 50 States.

Founded in 1943, NFIB's mission is to promote and protect the rights of its members to own, operate, and grow their businesses. NFIB proudly represents hundreds of thousands of members nationwide from every industry and sector.

NFIB recently published a report that captures small business owners' initial reaction to the Tax Cuts and Jobs Act. The survey was a random sample of NFIB members with responses received between mid-February and mid-April. NFIB published this report as taxes and tax-related activities play a significant role in the general operation of small businesses.

NFIB's 2016 Small Business Problems and Priorities survey found that 5 of the top 10 most severe problems facing small business owners are tax related, the most severe of

which, Federal taxes on business income, ranked third out of 75 problems, with 29 percent of small business owners finding it a critical problem in operating their business, not surprising since profits are the major source of capital for firm growth and expansion.

The frustration level associated with tax-related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, for some more significantly than other.

For example, increasing the thresholds of the estate tax and alternative minimum tax will result in fewer business owners having to spend their valuable time and resources complying with these burdensome and costly taxes.

NFIB's monthly Small Business Economic Trends survey highlights small business owners' enthusiasm for the new tax law as near-record optimism levels have been achieved in the months following the law's enactment.

Taxes historically received the most votes as the single most important problem since 1982, but fell to only 13 percent in March, the lowest reading in 35 years.

Most small business owners are still learning about how the law will affect them and their businesses as the impact depends on their form of businesses and detailed IRS interpretations that are still being developed. The expiration of small business provisions, including Section 199A and the individual tax rate, creates looming uncertainties that will affect businesses differently.

Today on Capitol Hill there are more than 600 NFIB members advocating for permanency of the small business provisions to provide certainty for long-term business planning.

Incorporated businesses have a clearer path, as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was

permanently repealed.

Small business owners are now assessing how these changes will affect them personally and within their business.

The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of Federal taxes on business income. However, the complexities of the Tax Code remain.

Owners will continue to seek professional assistance to understand and comply with the new Tax Code. But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

Thank you for inviting me to testify. I look forward to answering any questions you may have.

[The prepared statement of Ms. Wade follows:]

***** INSERT 1-3 *****

Mr. Upton. Thank you.

Mr. McCammon, president of Anamet Electrical, Inc.

We welcome you. And you are recognized for 5 minutes.

STATEMENT OF SAM MCCAMMON

Mr. McCammon. Thank you. Chairman Upton, Ranking Member Rush, and members of the subcommittee, thank you for the opportunity to testify in front of you today on such an important topic, the impact the Tax Cuts and Jobs Act has had on businesses in the energy sector.

My name is Sam McCammon, and I am president of Anamet Electrical, Inc. Anamet is the global leader in offering the highest quality products, superior service, and pioneering innovations for flexible liquid-tight electrical wiring conduit and industrial stainless steel hose.

Our products are used in buildings, power plants, including the only flexible conduit rated for use in nuclear power plants in containment areas, and military installations, industrial facilities, and mass transit systems around the world. Based in Mattoon, Illinois, Anamet has been serving the global electrical industry for more than 100 years.

According to a recent survey of electrical manufacturers, 53 percent said that tax reform has already had a net positive impact on their business, while an additional 34 percent are waiting for full implementation before they can assess the benefits of tax reform. Nearly one in three electrical manufacturers surveyed said they had already made investments in employee salaries and benefits, domestic employment, equipment, or research and development. The survey also found that more than half of those

surveyed are planning to take actions because of the Tax Cuts and Jobs Act.

At Anamet Electrical, Inc., we have benefited from the lower corporate tax rate, and we made investments in our employees and equipment as a result. After foregoing pay raises for consecutive years, we were able to finally give our employees a much deserved wage increase.

Furthermore, because of the increase in the Section 179 deduction limit, Anamet is planning to increase our capital expenditures in 2019 by over 100 percent from normal investment levels.

These investments in manufacturing equipment will reduce our costs enough to better position us to be competitive with our competition, both foreign and domestic, and will open up new markets in bulk transfer hose and exhaust hose, including the European market. We also plan a significant investment in testing a new compound for our nuclear power generation Sealtite product to comply with required radiation testing procedures.

Despite all of its benefits, there are a few issues with the Tax Cuts and Jobs Act that need to be resolved before we can realize the full benefits of the legislation.

The Tax Cuts and Jobs Act aimed to spur investments in upgrades and improvements to commercial properties by making qualified improvement property, or QIP, eligible for accelerated bonus depreciation and subject to a 15-year depreciation recovery period.

Unfortunately, the text of the final bill mistakenly defaults to a depreciation recovery period of 39 years rather than 15 years. The chart in my testimony clearly shows you the impact of it there. We ask that Congress include a fix to this issue in an upcoming legislation that can be signed into law.

Also of concern to electrical manufacturers are the Base Erosion Anti-Abuse Tax

and Global Intangible Low-Taxed Income, GILTI, provisions. These are detailed in my written testimony, but we believe they can be clarified with guidance from Treasury.

Anamet Electrical, Inc., and many other electrical manufacturers support the Tax Cuts and Jobs Act, and businesses like mine are already reaping the benefits. However, the changes I just spoke about are needed for the full potential of the legislation to be realized.

I thank the committee for hosting this hearing and for inviting Anamet Electrical, Inc., to testify. We look forward to working with and being a resource for the committee as you continue to work to make U.S. manufacturers like Anamet more competitive.

Thank you for your attention, and I look forward to answering any questions you might have concerning my testimony.

[The prepared statement of Mr. McCammon follows:]

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Mr. Upton. Thank you very much.

We are joined by Mr. Seth Hanlon, senior fellow for the Center for American Progress.

Welcome to you. Again, thanks for your testimony. You, too, are recognized for 5 minutes.

STATEMENT OF SETH HANLON

Mr. Hanlon. Thank you, Mr. Chairman, Mr. Rush, Mr. Pallone, members of the committee opportunity. Thank you for the opportunity to discuss the effects of the 2017 tax law.

My testimony will focus on the law as a whole and the ways it is failing to fulfill the promises that were made about it.

Now, we should be clear that the full effects of the tax bill will take years and even decades to materialize. But the early indications are that it is functioning as its critics predicted: conferring windfall tax cuts on wealthy Americans and large corporations which are using the tax cuts, first and foremost, to reward shareholders through stock buybacks, that it is having little or no effect on wages, that it is ballooning the Federal budget deficit and raising healthcare costs for working Americans. And I will discuss each of these points in turn.

First, this was supposed to be a tax bill focused on the middle class and small businesses. In reality, the tax cuts are badly skewed to large corporations and wealthy Americans who were already receiving an outsized share of the economy's gains. The highest income 1 percent of the Americans are receiving an average tax cut more than 50 times bigger than the average middle-income household.

And even the provision of the bill that is supposed to be for small businesses is going to very wealthy business owners and investors. More than 60 percent of the benefit of the new pass-through deduction is going to people with incomes in the top 1 percent of all Americans, according to the Joint Tax Committee.

And at the same time, 8.5 million households will see a tax increase this year, nearly 8 million of which have incomes of \$200,000 or less. And even those households that receive modest tax cuts in the near term may well be worse off when the tax cuts are ultimately paid for.

The tax bill is projected to add 1.9 trillion to deficits over the next 10 years, increasing pressure on Social Security, Medicare, Medicaid, and education. And we can't know at this point how that cost will be offset. But under the most likely scenarios for financing the tax cut, most low- and middle-income Americans are made worse off in the end.

Second, 6 months after the tax bill passed, workers' wages have not increased at all in real terms; in other words, when taking into account the rise of prices. The latest report from the Bureau of Labor Statistics found that average hourly earnings for production and nonsupervisory workers, which is 80 percent of American workers, were a tiny bit less than they were at this point last year. Average hourly earnings for all workers were similarly unchanged.

And remember, the reason for the bill's massive tax cuts for corporations was supposed to be that they would trickle down to workers in the form of higher pay. The White House even predicted that the average household income will be \$4,000 more than it would otherwise be because of the tax bill.

Now, this ignored both evidence and recent history where record levels of after-tax corporate profits failed to translate into real wage gains for workers. And,

again, it will take years for a complete assessment of the tax bill's effects, but we should be clear that 6 months after its passage American workers haven't gotten the real raise that they were promised.

Third, tax bill proponents repeatedly claimed that it would pay for itself, which is something that no credible economist believed. The Congressional Budget Office now projects 1.9 trillion in additional debt over the next decade. The tax law is already worsening Federal deficits by draining revenue.

In large part as a result of the tax law, the budget deficit for the first 5 months of this year has topped \$300 billion, and that is up 38 percent compared to the same period last year. The monthly budget deficit for this past month increased 66 percent over last May. Revenue from corporate taxes is on pace to decline by about \$110 billion this year.

The House majority is now reportedly considering making the temporary provisions of the tax bill permanent which would compound the damage to the Federal budget and lock in flawed and unfair changes to the Tax Code.

And why does this matter? Because the proponents of the tax bill promised that the tax cut wouldn't need to be paid for with cuts to Social Security, Medicaid, Medicaid, or other essential services because the tax bill would pay for itself, and that is just not happening.

Fourth, while there is the clear surge in companies using their tax cut to distribute cash to shareholders through buybacks, there is no economywide evidence of any surge in business investment, and certainly not the kind of enormous surge that would be necessary to fulfill the promises about the bill.

Instead, corporations have announced nearly half a trillion dollars of stock buybacks, which is a record level, and that is money being paid out of corporations, some

of it to corporate insiders, that is not being invested in equipment, R&D, or workers.

And fifth and finally, the tax bill is undermining Americans' access to healthcare. The Tax Cuts and Jobs Act repealed the individual mandate, which helped keep premiums affordable by encouraging healthier people to obtain health insurance coverage, and over time 9 million fewer people will have health insurance coverage as a result. Marketplace health insurance premiums will be 10 percent higher than they would otherwise be, which translates into almost a \$2,000 increase for the average benchmark plan for a family of four.

And, finally, the Medicare trustees reported this month that the tax bill is one of the reasons that Medicare's projected finances are worse this year compared to last year, with exhaustion of the trust fund now projected to arrive 3 years earlier.

Thank you very much.

[The prepared statement of Mr. Hanlon follows:]

***** INSERT 1-5 *****

Mr. Upton. Thank you.

Mr. Tom Ferguson, CEO of AZZ, Inc., welcome to you.

STATEMENT OF TOM FERGUSON

Mr. Ferguson. Good morning, Chairman Upton, Ranking Member Rush, and distinguished members of the committee. My name is Tom Ferguson, and I am president and CEO of AZZ, Inc. I have spent more than 40 years working in various leadership roles in the manufacturing and energy sectors, much of it working and living overseas.

So I am proud to be home in Texas and now leading AZZ, a company founded in Fort Worth, Texas, in 1956, the same year I was born. AZZ has now grown into a global provider of welding solutions, specialty electrical equipment, and highly engineered services. And we are the acknowledged leader in hot dip galvanizing in North America, which is all about make infrastructure last longer.

We primarily serve the energy and infrastructure sectors, including everything from nuclear power plants to solar to refineries and everything beyond. AZZ is still based in Fort Worth. We have over 60 locations worldwide, including 55 located in the United States.

AZZ, like most manufacturers, was truly excited to see Congress pass the Tax Cuts and Jobs Act last December. Quite frankly, in terms of taxation, it leveled the playing field with our global competitors that it enjoyed the ability to invest more heavily due to their lower tax rates. What tax reform really did to AZZ was it gave us the opportunity to rethink afresh.

At AZZ, we have budgeted a 33 percent blended global tax rate coming into this

new fiscal year, but tax reform has brought our global blended rate down to about 22 to 23 percent. Between the cash savings from this and the accelerated depreciation at 100 percent of our capital investments, AZZ has over 10 million of incremental cash that we can now apply to new investments and employee benefits.

According to a recent National Association of Manufacturers survey on the impact of tax reform, 86 percent said they plan to increase investments, 77 percent said they plan to increase hiring, and 72 percent said they plan to increase employee benefits.

AZZ is behaving very much in line with these results. We are increasing investments. For instance, we added a second continuous galvanized rebar plant, which is a new technology in the industry, planned for down the road. But because of tax reform, we are now planning to move that forward to 2018. That is a \$10 million to \$15 million investment and represents a significant increase over our normal \$20 million to 25 million in capital outlays.

AZZ is creating more jobs to staff the new facility, probably in the Carolinas or Georgia. We plan to hire 25 to 50 new workers. We also plan to add 150 to 250 new workers to our existing galvanizing facilities to support the growth we see.

At AZZ we are not just investing in capital, we are also taking big steps to ensure that our employees share in the benefits of tax reform. We have already invested \$1.75 million in financial rewards and special bonuses, including \$750,000 into a new rewards and recognition program. AZZ has also already given special bonuses of about \$1 million to our employees. This was in addition to our normal short-term incentive programs that paid out last month.

We recently decided to increase the wages of about 1,000 of our lowest wage earners by \$1 to \$4 per hour, which is an additional \$3 million to \$4 million benefit to our employees. And we have doubled our training budgets.

Finally, tax reform is allowing AZZ to give back to our employees and their communities in a unique way by creating a charitable foundation called AZZ Cares that helps our employees cover critical expenses in a time of crisis and also supports local charities.

The idea started with a companywide GoFundMe drive last year after Hurricane Harvey impacted many of our employees. AZZ raised \$210,000, including the company match, to help them get back on their feet. We were so impressed by how the AZZ family stepped up that we decided to form our own AZZ Cares Foundation.

As the chief executive of AZZ, I see the benefits of tax reform firsthand. Optimism and demand are rising. I am investing in my business, my employees, and my community. And I also know that many others are as well.

But naturally there is more that manufacturers would like to have seen in tax reform, such as repealing several changes set to take effect in coming years. These serve as disincentives to investment and innovation, like a planned phaseout of full expensing and modifications to the treatment of currently deductible R&D expenses that would make it more expensive to perform research, as well as imposing further limitations on the ability of businesses to deduct interest expense.

Finally, as a general principle, manufacturers also urge you to regularly reevaluate the international competitiveness of our tax system. Please stay vigilant to ensure the U.S. is an attractive place to start and grow a business and remains globally competitive in tax rates and structure. We have productive, motivated workers in the U.S., but need to ensure they have a level playing field in the global manufacturing sector.

So again, thank you for your hard work to get this done. Thank you for inviting me to testify today. I am happy to answer your questions.

[The prepared statement of Mr. Ferguson follows:]

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Mr. Upton. Well, thank you very much for your testimony.

At this point we will move to members to ask questions.

Just a couple things from my perspective. About a year ago I sat down with a -- Western Michigan University has an outstanding small business forum, a seminar that meets regularly. And a year ago, many of those small business men and women talked about their biggest obstacles to expanding and really creating the growth that they wanted were two prime things. One was the cost of capital and the second being the regulatory burden that they had.

About a month or two, I spent some time with them again, and they were pretty excited. For Michigan, we have come out of the depths of despair. A few years ago we had unemployment rates in the double digits, 12, 13 percent. We now have some counties in Michigan under 2 percent. And it is reflective, I think, of the national unemployment average, which is, I think, 3.8 percent.

Virtually every employer that I know is looking for talent. I stopped at a small business on Saturday morning for a toasted bagel with cream cheese and a coffee to go and there was a sign on the door looking for employees. And by the time you get to the cash register, there is yet another sign looking for employees.

I was at a 50th anniversary of a company in Holland, Michigan, on Monday. Their CEO told me that they could use probably 40 or 50 employees if they could find them.

Pfizer, which is my largest employer in southwest Michigan, told me a year ago that if we passed the tax bill they were going to reinvest in the United States. And in fact they came out with a wonderful announcement earlier this year, a \$450 million new expansion, 93 employees they were going to average -- no, 120 employees going to average \$93,000 a year in salary.

A small business fellow that met, scrap metal, that I met with on Saturday last weekend said, "Fred, I kept my promise. We gave a bonus to every one of our employees." I think they have 600 employees over a number of different States.

So it seems like it is working. And for us, too, in my district, we lost our largest employer in one of my counties about 6 or 7 years ago to Ireland because of the tax rate. Now, I hope that they can come home, but I know Ireland is trying to compete with that lower rate.

But I guess I would ask, my first question, Mr. Ferguson, you talked about what you did. Would you have done that had the tax bill not passed?

Mr. Ferguson. We have had opportunities in past years to do it. But with the additional -- because we had already gotten into our budget year, so normally we would not have done it. But because of the savings from taxes and the actual cash it generated, it absolutely made a huge difference.

Mr. Upton. And, Mr. McCammon, what is your perspective? You know, had we not done so, had it failed, had we not moved forward, where would you be today?

Mr. McCammon. Well, in our planning going into 2018 we were trying to decide whether to go ahead with a wage increase or not.

We are under a lot of price pressure, and margins have been slipping for the past 3 years in a row. And just being able to turn a profit in that economy was pretty tough.

So we are trying to make a decision. And when that announcement came out, that made it much easier to go forward with this. So, yes, I think that is why we went forward.

Mr. Upton. Ms. Wade, my district is filled with those little NFIB membership plaques in the windows.

Have you done a survey as it relates to maybe ask the question, "Had it not

passed, where would you be?" You have got some pretty good statistics, 75 percent indicate that the current business climate is heading in a positive direction, 87 percent expect that the tax reform would have a positive impact.

Have you asked the question, "What would you have done if the tax bill had not passed?" knowing that the engine of our economy really is small businesses and the ones that are certainly members in your organization.

Ms. Wade. Sure. We did ask the question in this survey regarding, of those business owners that anticipate lower tax liability, what they plan on using the savings for. And it spans most general business operations. So increasing compensation, hiring employees, capital expenditures.

And a large portion of them is still undetermined what they will do. That will come with talking to their tax professional over the next year. But reinvesting in their business is certainly their biggest use of tax savings through the tax law.

Mr. Upton. Thank you.

My time has expired.

Mr. Rush.

Mr. Rush. I want to thank you, Mr. Chairman.

Mr. Hanlon, I want to be crystal clear from the outset. Who is the Republican trickle-down tax bill designed to benefit mostly? While my colleagues on the majority have been trying to sell this boondoggle to the wealthiest as a bill that will help all Americans, who are the real intended beneficiaries of this trickle-down tax bill, and how was that structured into the provisions of the legislation?

Mr. Hanlon. So the largest tax cuts from the bill, both in absolute dollar terms and also as a percentage of income, go to the highest income Americans. So I had mentioned earlier that the top 1 percent, on average, and so these are people with

average incomes of about \$2 million, receive a tax cut that is 50 times larger than people in the middle, and certainly much, much larger than people in the low-income working class.

And then even as a percentage of income. So even as a percentage of their much higher income, millionaires get a much bigger benefit, three times as much, as people in the middle.

So that is the bottom line overall. And of course a lot of that is due to the fact that a large share of the bill -- the bill is really centered around not just a reduction in the corporate tax rate, but an absolute tax cut for corporations overall.

Corporations are owned mostly by wealthy Americans. The top 10 percent of Americans own 84 percent of corporate stock. And fewer than half of Americans own any corporate stock, even in their 401(k) plans.

So you have a massive corporate tax cut. You have a cut in the top individual tax rate. You have a tax cut for pass-through businesses, 60 percent of which goes to the top 1 percent. And then you have a cut in the estate tax that benefits the heirs to estates of more than \$11 million, which is less than 1 out of every 500 people in the country.

So all told, this tax bill is badly skewed to wealthy Americans.

Mr. Rush. How have the policy stockholders, people who own shares of stock, can you be explicit in terms of how do they benefit from the tax bill?

Mr. Hanlon. So much of the tax bill, the corporate tax cut -- so corporations are just going to be paying less taxes. As I mentioned, corporate tax revenue is \$100 billion less. So in the near term we can expect that is going to be a pure windfall for the shareholders of corporations.

And they are paying it out. And we can see this manifest itself through the

incredible surge in stock buybacks. So that is where corporations are paying out cash to their shareholders and it is at record levels at this point in the year. It is about almost half a trillion dollars have been announced, the stock buybacks, to shareholders.

And so that is money going out of corporations that is not being invested in equipment or R&D or workers. And some of it, of course, is going to the executives that own the stock as well.

So I think that is the primary way that the corporate tax cut is going through to wealthy shareholders instead of being invested.

Mr. Rush. With the ballooning healthcare costs, skyrocketing prescription drug prices, rising gas prices, and other increases in the cost of living for working class Americans, does the Republican tax bill provide real meaningful assistance to working class families, such as the ones that are my neighbors and that I represent in my district on the South Side of Chicago?

Mr. Hanlon. There are very modest tax cuts for middle class and little or no tax cuts for the working poor. To give an example, a minimum wage worker who is a single parent raising two children would get \$75 from this tax cut, right? So that is \$1.50 a week. And some will get more than that, but it is still a modest tax cut.

And I think it is also important to note that that tax cut is in the short run, and it gradually diminishes over time. And of course the things that are going to have to be put under pressure to pay for that tax cut could easily more than overwhelm any savings directly from the tax cut in the short term.

Mr. Rush. Mr. Chairman, I yield back.

Mr. Upton. The chair would recognize Mr. Barton from Texas.

Mr. Barton. Mr. Chairman, I have no questions. I yield my time.

Mr. Upton. Mr. Olson from Texas.

Mr. Olson. I thank the chairman.

And welcome to our four witnesses. A special Texas proud Aggie "welcome" to our Texan on the committee, Mr. Ferguson.

Sir, I hope I say this right, "Howdy" and "gig 'em."

Mr. Ferguson. Gig 'em and howdy. That works.

Mr. Olson. And speaking of proud Texas Aggies, I worked for a guy named Phil Gramm. A quick observation about these comments from the other side of the aisle, what Phil Gramm would say about these comments. And when I talk about Phil Gramm, I have to imitate his Georgia/Texas accent, so bear with me. "If people ain't saying bad things about you, you are doing something wrong."

Based on the comments before from my colleagues on the Democrat side, we are doing something right. We are doing something right. Back home, these tax cuts have been a huge hit with every business I have talked to.

One example, not energy room, but a guy who shines my cowboy boots every week, Houston Shoe Hospital. He is married to a lady from Mexico. They have two kids born in America. They were married at her home church in Mexico. Their dream was to go back to that exact church, have their kids baptized in that church where their relationship started.

They didn't have the money to do that until we passed this tax cuts bill. Right now they have \$2,000. He has bought those tickets. He is going down there this summer.

Another company back home, a company called FairfieldNodal run by Charles Davison. They do seismic work in the energy sector. They expect their tax bill to drop \$40 million in 2019. \$40 million. Where does that money go? Hire new people. Invest in new technology. More jobs, more growth back home.

Let's talk about the power sector. In Texas, our Public Utility Commission has already seen requests for rate reductions -- rate reductions -- from El Paso Electric, Oncor, and Southwest Electric Power, all because of tax reforms.

In my hometown, Houston area, CenterPoint says they are bending the curve lower on future rate increases they thought they needed because they will pass on \$39 million to their customers -- \$39 million because of the tax cuts. We have heard comments that these tax cuts only help the wealthy and the rich.

Ms. Wade, first question for you. Is it fair to say that most small businesses, your members in NFIB, expect to see an improvement in their bottom line and that they will hire new employees, get new equipment, or upgrade old equipment? Is this good for American businesses?

Ms. Wade. Absolutely. NFIB members are overwhelmingly enthusiastic about the benefits of the tax law. In our 2016 survey, Federal taxes on business income ranks as the third most severe issue facing their business, with 29 percent of owners saying that it is critical.

So the new tax law has gone a long way to help benefit small business owners and dealing with their tax liability and all the time and paperwork related to it.

Mr. Olson. Thank you.

Mr. Ferguson, I reckon you want to make some comments about the tax bill.

Mr. Ferguson. We were really happy with it. I think the only thing we wished was it had been announced earlier, because we had already completed our budgets. And so I do think you are going to continue to see a ramp-up from corporations as they are able now to budget for this going into 2019.

We were fortunate. We are on a fiscal year, so we started March 1. So we actually had a couple of months to change our budgets and our plans, which we did. So

we were thrilled with the act.

And our employees have benefited. My average employee makes about \$46,000. I have got a lot of \$10-an-hour people. Half my workforce is Latino. And everybody I talk to, they are family people, and they are thrilled with what it is doing for them personally as well as the fact we are able to increase our entry-level wages and now train a lot of new workers in the workforce.

Mr. Olson. Sir, back home, my district is the most diverse one in Texas. And so Hispanics, Asians, whatever, lowest unemployment rate in almost half a century.

One final comment about what is going on here.

Mr. McCammon, do you have any questions? Anything you would like to add before I yield my time back?

Mr. McCammon. I would just say that we, too, invested in equipment, actually in a roof and LED lighting project. This helped make our decision to go forward with that, although, as I had stated earlier, we are not going to reap full benefits of those types of projects right now.

Mr. Olson. One final comment, too, from our chairman, Kevin Brady: This is just a first start. We have to make this permanent ASAP.

I yield back.

Mr. Upton. The gentleman's time has expired.

Mr. McNerney.

Mr. McNerney. Well, I thank the chairman.

Mr. Chairman, this is clearly a political hearing. It is not a policy hearing at all. Its purpose is to convince Americans that the unpopular Republican tax bill that greatly reduces corporate taxes and reduces tax rates for the wealthiest people is a good deal.

A Morgan Stanley survey found that the market analysts estimate 70 percent of

the tax cuts savings will go to shareholders while only 13 percent go to pay raises, bonuses, and employee benefits.

It also attacks the Affordable Care Act. The Congressional Budget Office estimates that 13 million Americans will lose coverage as a result. Moreover, it will raise premiums for the healthcare insurance for many, many more Americans.

Moreover, energy prices are going up, undeniably. So having a hearing in the Energy Subcommittee entitled "The Benefits of Tax Reform on the Energy Sector and Consumers" seems to me to be ill-placed.

So, Mr. Hanlon, how will the increased deficit caused by this tax scam harm middle-income Americans?

Mr. Hanlon. So as I mentioned, the Congressional Budget Office projects that the deficit caused by the tax bill on top of existing deficits is \$1.9 trillion over the next decade.

And that does not include the costs of making the temporary provisions permanent, which Mr. Olson just mentioned. That would add another \$600 billion or \$700 billion within the 10-year window, and the costs would just explode over time.

RPTR KERR

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[11:08 a.m.]

Mr. Hanlon. So these deficits, I think we have seen this before, promises that tax cuts will pay for themselves, and when that doesn't bear out, the rising deficits are used as a reason and justification for cuts to, in particular, health programs. I think, first and foremost, Medicare, Medicaid, and education, and the large swath of domestic programs.

So I think, in answer to your question, I think average Americans understand that when Congress gives away a large tax cut, that the large preponderance is not going to them. They are going to pay for it in the long run through cuts to services and programs that matter to them.

Mr. McNerney. Will the tax bill help energy consumers?

Mr. Hanlon. No. I mean, in general, no. I mean, I do think the utility sector, there are some State laws that say that any kind of tax change needs to be passed on to consumers, but that is sort of the exception that proves the rule.

No other sector all the tax cuts that went to other corporations, none of them are going to be passed on to consumers. So I think there is really no reason to think that consumers are going to be directly affected one way or another.

Mr. McNerney. Will the tax bill cause increased healthcare premiums?

Mr. Hanlon. Yes. The Congressional Budget Office has said that healthcare premiums in the marketplace are going to be 10 percent higher in 2019, 10 percent higher than they would otherwise be. So that is on top of any other increase caused by any other rising healthcare cost in general or other acts of sabotage by the Trump administration.

And so that translates to \$2,000 for a family of four with a benchmark plan on the

exchange.

Mr. McNerney. Thank you.

You indicated there is a very small business investment compared to the stock buybacks. Could you expand on that a little bit?

Mr. Hanlon. So, I mean, I think to back up, to be clear, it is very early. We won't have a full accounting of what the bill has done. But I think it is very clear that corporations could use the tax cut in different ways. They could make investments in workers or R&D or capital investment -- or they could just take the tax cut and distribute it to shareholders.

We are not seeing clear evidence of the former. We are seeing very clear evidence of the latter.

And so just to give you an example, of course, obviously, in a large economy, there is going to be anecdotal evidence, and not to knock that down, but, of course, companies are going to say they are making investments.

But then if you look at the country overall, according to the Federal Reserve, new orders of nondefense capital goods -- so, in other words, new business investment -- is totally flat, and it is below where it was from 2012 to 2014.

But maybe it will pick up. I hope it picks up. But we are not seeing it yet in the data. At the same time, we are seeing record levels of share buybacks, which is corporate cash being distributed to shareholders.

Mr. McNerney. Thank you.

Mr. Chairman, it took me longer to pass a post office being named in my district than it took to pass this tax bill, which affects every part of our economy.

So I will yield back and let you guys take a stab at this.

Mr. Upton. Mr. Shimkus.

Mr. Shimkus. Thank you, Mr. Chairman.

I do appreciate you all being here.

Mr. Hanlon, real quick. So in response to Mr. McNerney, you did kind of admit that utilities are lowering rates, and some of those based on regulated communities. But I think the argument also is for competitive States. Competitive States, which I live in, are lowering their utility rates, too. So I appreciate that.

Second thing. You made a comment on education, which then I am going to go to my constituent. Like 93 percent of public education -- primary, secondary -- is funded through local and State governments. Would you agree to that?

Mr. Hanlon. Yes. I think so, yeah.

Mr. Shimkus. So the spin that this hurts education when we are 7 percent might be a reach.

And let me now go to my colleague.

Mr. Hanlon. There is higher education, too. But, yes, I take your point, It is definitely mostly at the State and local level.

Mr. Shimkus. Let me go to Mr. McCammon. Let's talk about Mattoon, Illinois. Do you know what the population of Mattoon is?

Mr. McCammon. It is somewhere around 20,000 or less.

Mr. Shimkus. Yeah. I looked it up, and it may have grown a little bit. I got 18,500.

Average salary of the people in Mattoon, what might you guess?

Mr. McCammon. I don't have information on that. Sorry.

Mr. Shimkus. So I was working -- good thing -- with technology. It is about \$35,000.

So sometimes here in Washington, we think everything is big city, L.A., Miami,

New York City, and kind of we forget that small town rural America and how important small business is to the livelihood of those communities.

So in the State of Illinois how are local governments funded, like the public school system, the county government, the municipality, the townships?

Mr. McCammon. Through taxes.

Mr. Shimkus. Yeah. Through what type of taxes?

Mr. McCammon. Income.

Mr. Shimkus. Well, property taxes.

Mr. McCammon. Real estate.

Mr. Shimkus. So it is real estate. So it is a value on your piece of property that you have. And if it is operating, that value, is it higher or lower? If you are producing something, there is people working there, is the value of that property higher or lower?

Mr. McCammon. It is going to be higher.

Mr. Shimkus. It is going to be higher. So that is probably beneficial to who?

Mr. McCammon. Everybody.

Mr. Shimkus. Yeah, because the public schools are being funded, the local municipality, the county government. It is good for businesses to be able to operate. It is actually better for businesses to grow.

So I don't want to lose that in this debate about the benefit of tax reform. If you are saying your business in Coles County, Mattoon, Illinois, is benefiting, that means the public school district is benefiting; that means the city is going to have revenue to pay the police officers; that means the township road commissioner will be able to put another patch of asphalt on a township road.

Let me go into exactly some of your testimony. And I am actually happy to have you here, and I don't even know all the stuff that goes on in my district. So how exactly

is this flexible conduit used in nuclear plants, and why is Anamet's conduit the only one rated for its use?

Mr. McCammon. Well, the conduit that we have is tested to a loss-of-coolant accident as tested through radiation. So it is a very expensive test to go through to approve a covering for this.

It is used in containment areas to protect electrical wiring so that if you do have a meltdown, you have got radiation coming out, it would protect the wires so that your fail-safes can continue to work.

And if you didn't have anything else, I was going to add that we think that investing in technology is the answer to competing globally, not putting barriers out there, but trying to invest in technology. That improves the workers' skills, because we do training for workers, and also increases their wage base.

And we are in the processes of doing that right now, and I can talk about that some more. I know I am running out of town here.

Mr. Shimkus. And I am running out of time also. I have one more question. But I thank you for you being here and I appreciate your testimony.

I yield back.

Mr. Upton. Mr. Doyle.

Mr. Doyle. Thank you, Mr. Chairman.

I am not sure why we are here today to discuss a bill that passed 6 months ago. We didn't have any hearing 6 months ago. It might have been helpful to these two gentleman that talked about a couple glitches in the bill that they would like to see corrected if we had this discussion before we passed the bill.

And I appreciate you two gentleman being here, but this committee has no jurisdiction over tax policy. You are sitting in front of the wrong committee. You

should go sit in front of the Ways and Means Committee if you want to plead your case on what is not in this bill.

So this is kind of an odd hearing for the Energy and Commerce Committee to be having. It might have been helpful before the bill was passed to talk about possible impacts on energy consumers if we did it 6 months ago, but, I mean, this is just -- I mean, it is what it is.

We all know what this is. This is little dog and pony show for a bill that most of the American public doesn't support. And so I guess you guys got your marching orders to start holding hearings and tout the benefits of this bill.

This is a deeply flawed bill. It fails families. It fails the middle class. It fails just about everyone except for businesses and the wealthiest people in this country.

The lack of transparency that took place before this bill was voted on has resulted in numerous glitches and loopholes, which people are now asking us to correct. CBO now projects that this bill will increase the debt by \$1.9 trillion, up from \$1.5 trillion.

And my friends on the other side of the aisle claim that the thing they most care about is debt, the national debt, and they have done more to raise the national debt in a year than anything Democrats have ever done.

Mr. Hanlon, let me ask you. Did the Center for American Progress, were you able to create some sort of a model of what the impact of this reform bill would have on workers in the middle class, as well as the energy industry, before the passage of the bill? Were you able to get any information that would allow you to model this before we voted on it?

Mr. Hanlon. I think no. In a lot of ways the bill was rushed in about 50 days, and a lot of the times, at various stages, Congress didn't wait for even its own analysts to produce dynamic estimates of the macroeconomic effects and such.

We certainly didn't. I mean, I think there was some analysis that was put together very well under very tight circumstances of the direct effects of the bill, so I think we generally knew who it was going to benefit. I think there are many unintended consequences that were not fully explored during the bill's consideration.

Mr. Doyle. I notice you did finally put out a study that shows State by State. For instance, in my State of Pennsylvania the average tax cut to the bottom 80 percent of families -- 80 percent we are talking about -- is around \$645.

The average tax cut to the top 1 percent of Pennsylvanians is around \$53,580. But then that is offset by a \$2,300 increase in marketplace premiums and healthcare due to the repeal of the individual mandate.

And I just want to demystify that a little bit, because a lot of people when we talk about the individual mandate, they don't understand why that is raising premiums. What we basically said now is you don't have to buy health insurance if you don't want to. There is no mandate that you have to do it.

So what that results in is a lot of young, healthy people saying: I don't want to pay health insurance premiums, and I never get sick, and I don't really need healthcare. So they don't come into the risk pool, the young healthy people, that help us offset the cost of healthcare for people who are chronically sick and have major illnesses who have to buy insurance because of their health condition.

So what happens? The risk pool gets riskier and therefore the insurance companies say: Our risk has gone dramatically up now that we don't have these young healthy people coming into the risk pool, we have to raise premiums as a result of that.

That is what the impact of getting rid of the individual mandate is. This ends up just wiping out any potential increase that the middle class or the working class in this country would get from this tax bill when they see these increases in their healthcare

costs. That is why this bill was not being supported by the vast majority of Americans, because they know what is really happening here.

And with that, I see my time has expired, and I will yield back.

Mr. Upton. Mr. Latta.

Mr. Latta. Well, thank you, Mr. Chairman.

And thanks very much for our panel for being with us today.

And just a little background. I know the people on this committee have heard it before, but my district is kind of unique. I have got 60,000 manufacturing jobs, and I have done scores of meetings across my district since the passage of this tax bill.

And I keep hearing from folks back home, especially when I am going into factories and businesses, that they are doing things. A, they are hiring people. They are increasing wages. They are giving bonuses. They are buying new equipment. And when you buy new equipment, it means you have to expand your factory, which means somebody out there has got to build it, and somebody out there has got to provide the building materials, and somebody has got to provide the transportation for it.

So this is something that just goes across the entire economy. So it is very, very good news for folks out there, not only in my district, but across the country because of the tax bill.

And, Mr. McCammon, if I could ask, I know, I was listening to the conversation between you and Mr. Shimkus, but I was wondering if you could kind of continue on about your discussion about wages and investments and what is going on with you.

Mr. McCammon. Sure. Like I said, we did a wage increase this year, and in our area there were quite a few wage increases or bonuses, a lot of talk among all the employees, even in competition for jobs. Even my daughter, Jessica, received a bonus working at Third Bank, and she is a part-time person. So there is a lot of talk about that

going through the communities there.

We did not go with a bonus. We gave a wage increase, which is permanent and needed, and that is what we did.

As far as investments, we are planning for a big round of investments here. And I can talk about 2 years ago, we went into a new technology for one of our product lines. We were on negative margins and trying to compete against even overseas products. We went into this technology, brought it in, and we are able to compete with them. And now we haven't been able to keep product on the shelf. We had to bring on another person this year.

The economy has been growing in the industrial sector for us. The margins on those products are higher. That allows us to make more of a profit to be able to invest in things like this.

So to be able to compete, we need to invest in technology if we are going to compete with people overseas. We have got two other product lines that are bigger than that that we are looking at applying this technology to now. If we can do that, that is going to make us much more competitive, both domestically and foreign. And that is where we need to spend our investments, is into the technology.

And like I was saying, that benefits the employees also, because our wage base comes up. They need a higher knowledge base on some of this technology. We have increased the wage base for the operators running that line, and we would be doing the same thing for the other operators that we would bring in to run these lines.

Also, we have increased our wage base on our entry-level toolmakers. We just made a decision to do that in the last couple weeks. We have been discussing that and thinking about it for a couple years. And like I said, we have been under such high price pressure in this industry. Prices have been going down for 3 years steady and margins

down with it.

We are at the point now where we think there is confidence in the economy right now, and we have decided to make that adjustment. And I see things like that continuing with this.

Mr. Latta. Thank you very much.

And, Mr. Ferguson, in my last minute, as we have heard today, one of the benefits of the recent tax reform is greater availability of capital to invest in the expansion of companies.

As you know, AZZ had planned to build a new manufacturing plant at some point in the future. How did the recent tax reform impact your company's ability to move forward on that project?

Mr. Ferguson. Because we were already past our budget cycle, if we wouldn't have had the incremental cash that was going to come from the tax cuts, we would not have been able to make that decision because it would have negatively affected our cash flow, and we were already into the budget, so we already would have been into the budget year.

So because of the timing and because of the cash savings, we were able to pull that forward. One, it helps create jobs; two, it is a great technology to extend the life of bridges and highways; and three, only about half of the cash impact comes in our current fiscal year, but that was something that was acceptable to us.

We were able to ensure that we expanded our capital. And we will fund the rest of it for next year. We will probably add another one of those plans because we are excited with what the tax cuts do for us from a cash flow perspective.

And then the other thing was we had to increase our training budgets because we just can't get access to qualified labor. And so we are having to do a lot more training

up front. So we have a lot more entry-level folks coming into our workforce, which means we have got to train them just on basic mechanical skills and get them ready, which is why we raised our entry-level rates as well as for the folks that have been with us a fairly short time.

Mr. Latta. Thank you.

Mr. Chairman, my time has expired, and I yield back.

Mr. Upton. Ms. Castor.

Ms. Castor. Thank you.

I want to start by saying I really appreciate Ranking Member Rush's comments at the outset of this hearing. The Energy and Commerce Committee has oversight of HHS, and I think the first priority of the Congress right now should be stopping the family separation policy.

I don't know why we are not having a hearing on that today to get answers from the administration on what is happening. I mean, it was reported by DHS that from May 5 to June 9, 2,342 children now have been separated from their parents. I mean, think about that, just in that short amount of time.

And this committee should be examining how many more since June 9 have been separated, what are the ages, what is happening, how are they being taken care of, and really doing everything we can to keep families together.

So thank you, Mr. Rush, for raising this.

I think it is incumbent upon every Member of Congress not to have these kind of retread type of hearings, but to really act on what is critical to the country at the moment.

That is not to say that family economics are not critical right now. When I look at what has happened during the Trump administration, I would say to American families:

Hold on to your wallet, because we have seen gas prices go up, we have seen health premiums go up through the sabotage of the health administration, drug prices are going up.

It was not lost on people that, as the administration came out and said, "We are going to tackle the cost of high prescription drugs," but there was no teeth to it. And then the value in the stock market, the value of the pharmaceutical companies went through the roof.

So this all hurts the family pocketbook. And my Republican colleagues promised during the tax bill debate that they would get a raise. Corporations would pass along savings, they would give raises. This is the fallacy of the trickle-down economic theory.

They said average workers will get \$4,000 in their paychecks. Well, that hasn't happened. Most of what has happened are stock buybacks. Good for the companies that have given raises and the ones that have given bonuses. But remember giving a bonus is not the same as giving folks a raise. And I think of a lot of hardworking families who they will use that bonus money, but, boy, why not give them a real salary increase?

Mr. Hanlon, it is interesting, because the Trump administration's own Bureau of Labor Statistics has shown that the real average hourly earnings has actually dropped slightly.

Now, we have come out of the recession and unemployment over the past 10 years has gone down and down and down. But why haven't earnings gone up? Why haven't paychecks gone up?

Mr. Hanlon. I think it is a really good question. The same question was asked of the Federal Reserve chair the other week and he said it is a puzzle. So I don't think anybody has a complete answer.

But it is absolutely correct that real wages have not increased, and that is

distressing at a time when we have tight labor markets, unemployment is very low.

Ms. Castor. Wait a minute, they promised. They said that this tax bill, people are going to get thousands of dollars into their paycheck.

Mr. Hanlon. And I think we haven't seen any of that yet. We have seen zero real wage growth since the tax bill passed. And I think we don't know the full reason why wages haven't increased in such a tight labor market with such low unemployment, but I think a lot of actions by the Trump administration haven't helped. They have taken us in the wrong direction.

Ms. Castor. You bet they have. I mean, gas prices are up. Healthcare premiums are up, because in the tax law part of it was eliminating requirements for people to have insurance. So CBO says that 13 million Americans will lose coverage. And for the rest of us our premiums are going to go up.

And then last week the administration announced that they are not even going to stick with the promise of the preexisting condition protection that keeps insurance affordable for many, for millions and millions of Americans.

And then part of that tax bill -- this really makes me angry, anyone who has kids or grandkids -- \$2 trillion added to the debt. And then the Republican budget comes out yesterday and what do they do? Huge cuts to people that rely on Medicaid for healthcare and to Medicare.

So this is kind of a boondoggle. I think people are really seeing through the fallacy of, boy, this is going to help the average American. Everything they have done, whether it is inaction on drug prices, inaction on holding down the cost of fuel, of healthcare and wages, it is just not adding up for consumers, and I think that is the bottom line.

Mr. Hanlon. Yeah. And I would add rolling back overtime protections for

workers to that list.

Mr. Castor. Absolutely.

Mr. Hanlon. And the failure to raise the minimum wage at the Federal level.

Ms. Castor. Thank you very much.

Mr. Upton. The gentlelady's time has expired.

We will do Mr. Harper. Votes have been called on the House floor. We have got three votes. We will do Mr. Harper, and then we will recess and we will come back.

Mr. Harper. Thank you, Mr. Chairman.

Thanks to each of you for being here.

Mr. Hanlon, did you get a tax cut?

Mr. Hanlon. I think I probably will, but I don't know. I haven't done the math yet.

Mr. Harper. You haven't looked at your pay stub to see if they are withholding less?

Mr. Hanlon. I haven't done the math. I am pretty sure that withholding would increase, but that doesn't mean that I got a tax cut because some people will have their withholding decreased but then have to pay it back at the end of the year.

But I don't know. I think I will probably get a tax cut. I didn't want one or ask for one, but I think I probably will.

Mr. Harper. Well, you are not going to turn the money back into the Treasury, are you?

Mr. Hanlon. I haven't decided. I don't know.

Mr. Harper. Well, feel free to. That is certainly fine.

You know, it is amazing as I listen to this and talking about how it is hurting families and there is no money, I am thinking of over 200,000 AT&T employees, for

instance, that got \$1,000 each. When you are talking about middle America and you are talking about middle class, I mean, I just don't see how you can say that.

And I look at in my home State of Mississippi hundreds of companies, covering hundreds of thousands of employees, are making more, have more money in their pocket, real money to spend. And I understand that 69 percent of all statistics are made up on the spot, or is it -- no, 57 -- yeah, 57 percent.

So this is, I mean, it is like you have been in a car wreck and you are talking to two witnesses that were in the same wreck and they have completely different narratives.

I mean, I think it is clear when you talk to some of the employees that have gotten extra money it is real money. It helps those families. And to say that it doesn't and it is hurting America, I just don't see how you can say that.

And, Mr. Ferguson, you have talked about your company. And certainly we have one of your facilities, one of your companies, one in my congressional district, which we are very fond of, in Richland, Mississippi, and you have another down on the coast in Moss Point. So we appreciate the impact that you have had there.

Talk to me for just a minute about what that means, specifically for employees in my State, of what that meant for them with the tax cuts.

Mr. Ferguson. Yeah, with several of our workers in both of the galvanizing plants, we actually have three plants now in your -- well, two in your district, one on the coast.

But we have been hiring, so we have added, I think, 12 people, which it is a workforce of about 180, I think. And we have also increased the wages there. They got bonuses. And they were some of the participants. They all got the \$250 contribution to the rewards and recognition program that we preloaded their accounts. So every one of them got that.

And I would say that everybody there probably the average raise was about \$3, but a lot of those lower wage workers, entry level, at \$10. And I think that is why overall for us our average wages would look like they are down slightly, but they are actually up because we added so many entry-level workers into our workforce.

Mr. Harper. And, Mr. Ferguson, those are the employees that got the hourly wage increase from anywhere from \$1 to \$4 an hour increase?

Mr. Ferguson. That is correct. That is 60 percent of the folks in those factories were direct labor that got those raises.

Mr. Harper. And did you have anybody complain about those raises?

Mr. Ferguson. No. I got a lot of nice notes. I tend to communicate a lot with my employees and they know I have an open email. So I even got some nice signed letters. As a matter of fact, one of them was from Moss Point.

Mr. Harper. That is great. And did anybody refuse to accept the raise?

Mr. Ferguson. No, except myself.

Mr. Harper. Okay. Well, and hats off to you, Mr. Ferguson, for that.

Now, you have indicated in your testimony that you are anticipating adding over 150 new workers to your existing facilities.

Would you have done that or be doing that without this Tax Cuts and Jobs Act of 2017?

Mr. Ferguson. No, because that is related to -- the first point is, for the first time in probably three decades, we are actually now competitive with our global competitors, which tend to be much larger than us, particularly on the business in your district, Medium Voltage Bus. So we are now competitive, so we are much more confident, so we are growing.

Mr. Harper. Explain for just a moment, Mr. Ferguson, how this makes you more

competitive nationally and particularly globally. How does it do that?

Mr. Ferguson. Well, a lot of our European competitors, because of their tax rates, they have been able to invest more aggressively in advanced machinery. So now we are doing that. We are upgrading our technology in plants like in Richland, as well as in most of our electrical systems plants.

Two, we are able to do a lot more training because we have got the cash savings. So we quickly invested that into more training. So we have doubled the training time and periods for our average worker.

And both of those things made us far more -- well, and it gave us confidence for the future, which is why we have also increased our investments. And assuming the tax reform act holds, I think you will see a lot more investment by U.S. companies.

Mr. Harper. Thanks to each of you for being here.

My time has expired, Mr. Chairman.

Mr. Upton. I remind my colleagues we are going to come back after we take a short recess. There are 6 minutes left on the votes on the House floor.

[Recess.]

Mr. Griffith. [Presiding.] We will resume the hearing. I appreciate you all's patience while we went off to vote.

We have Mr. Green of Texas up next, recognized for 5 minutes.

Mr. Green. Thank you, Mr. Chairman.

And I think it is interesting, our Committee on Energy and Commerce, we always brag about our jurisdiction. I just didn't know we could take it away from the Ways and Means Committee. I am glad we are having it on the tax bill, because I would love to have more issues.

But anyway, the truth of the matter is the American energy renaissance has been

unleashed long before this bill was ever considered. Coming from a Texas district, advances in technology, American ingenuity, even the policies of the Obama administration and this committee in the last decade have unleashed this energy dominance.

If you are going to talk about the GOP tax scam, I would like to talk about what it did to the Affordable Care Act and how premiums, which is part of our jurisdiction, already increasing next year with the repeal of individual mandate.

The bill also exploded our deficit for \$1.9 trillion over the next decade and actually cut the number of years Medicare will be solvent, whether it be Medicare, Medicaid, or even Social Security. And how many times have I heard over the years my colleagues on the Republican side cutting benefits that seniors have earned under the guise of deficit reduction.

Mr. Hanlon, can you explain how the tax law undermines Americans' access to healthcare? What will this bill do to the terms of the number of Americans who have health insurance?

Mr. Hanlon. The Congressional Budget Office has said that over time, by repealing the provision that encourages healthier people to purchase health insurance for themselves, 9 million fewer people will have health insurance

Mr. Green. What can we expect to see happen in healthcare premiums as a result of this law?

Mr. Hanlon. So, again, CBO has estimated that premiums will be 10 percent higher for 2019 than they would otherwise be, which translates into about \$2,000 for a family of four for an average benchmark premium.

That is, of course, just an estimate or a projection, but we are already seeing insurance companies apply for their rate schedules, do the submissions for the rate schedules for 2019, and we are already seeing increases in various States that are

attributed directly to the repeal of the individual mandate in the tax bill.

Mr. Green. Does this put more stress on Medicare and Medicaid as a result?

Mr. Hanlon. Yes, absolutely. I mean, I think adding \$1.9 trillion of debt, in addition to whatever the cost would be, we mentioned it earlier, of making the temporary provisions permanent. That \$1.9 trillion does not take into account extending the provisions that a lot of the sponsors of the bill have said that they want to extend.

Mr. Green. I come from Houston, Texas. It is an energy district. I have folks who work at refineries, work at service companies. And over the last couple of years they have been doing very well, long before this bill.

My concern is, will my constituents see a noticeable increase in their take-home pay enough to offset these rising premiums and pressure on the Federal programs that provide support?

Mr. Hanlon. I think that is very unclear, especially over the long run. I mean, I think most families will see a modest tax cut in the short run. But those tax cuts are only temporary. They are offset by any increase in gas prices, obviously, any increase in healthcare premiums that are caused by the bill. And then over time those tax cuts gradually diminish and then expire after 2025.

Mr. Green. Mr. Chairman, like I said earlier, our committee has a lot of substantial issues that we need to address instead of just being part of a political messaging term on something we have no jurisdiction.

If months of messaging hasn't changed the approval numbers for the GOP tax scam, I don't think this hearing will move that.

So anyway, I yield back the balance of my time.

Mr. Griffith. I thank the gentleman.

I now recognize the gentleman from Michigan, Mr. Walberg, for 5 minutes.

Mr. Walberg. Thank you, Mr. Chairman.

And thanks to the panel for being here, especially, I say with all sincerity, three who understand reality, living in the real world, and experiencing really what has taken place. And thank you. I mean, it is worthwhile hearing what actually is happening and people who understand what produces true American progress.

Mr. Hanlon, I hope someday you will, as well.

Mr. Hanlon. I appreciate that.

Mr. Walberg. Thank you. We always try to help.

Mr. Chairman, it has been nearly 6 months since we passed the Tax Cuts and Jobs Act -- only 6 months, only 6 months -- and we have seen the economy produce amazing things. It reminds us that the American way does work.

Since then, we have heard countless stories of businesses increasing wages, handing out bonuses, hiring more employees, and expanding their U.S. operations.

The chairman of the subcommittee made that very clear about what we are experiencing in Michigan, the first one out and now the first one back in in growth and opportunity.

Being from Michigan, I am encouraged about the benefits for our workers and prospects for our State's manufacturing sector. Whether it is building some of the best cars in the world or casting some of the strongest steel, these manufacturing processes are energy intensive, and electricity costs are often leading cost of operation.

Luckily for Michigan and its businesses and its manufacturers and its citizens, the tax cuts are leading to lower energy costs. Numerous Michigan utilities announced plans to lower electric rates and have undertaken that already. This will allow Michigan businesses to invest in their facilities, but more importantly, invest in their employees.

And so, Mr. McCammon, thank you for being here for manufacturing companies

across the country. The savings from the recent tax reform has allowed increased investment in manufacturing equipment as well.

For Anamet Electrical, are you planning to utilize money saved from tax reform to purchase new manufacturing equipment?

Mr. McCammon. Yes. As I was talking earlier with the technology investments that we made a couple years ago, we are in the planning stages right now to increase our investments for 2019 much more than we normally do.

Section 179 has a lot to do with that, and the accelerated depreciation that we can get. But in doing that, when we are looking at adding to two more lines like that, we would be adding probably about another 4 percent to the labor force.

Mr. Walberg. So not only investing in the equipment, the capital outlay.

Mr. McCammon. Yes.

Mr. Walberg. That is going to produce investments in more employees.

Mr. McCammon. Yes, sir.

Mr. Walberg. If we can find them, which is a challenge right now, as we have talked about. That is great to hear.

Any other benefits to the company, including their employees, as a result of this tax benefit going toward increasing capital outlay?

Mr. McCammon. Well, just seeing the economy pick up for us. I am not looking at the grand scale of things like Mr. Hanlon is here, but just in what we see, the industrial sector has picked up tremendously. That boosts our margins and provides that cash flow for us to invest.

So I think the confidence that is being built by having the tax cuts and being able to support industry in investing in technology is what is going to really boost the economy and let us grow at a faster rate than we would if you didn't have the tax reform.

Mr. Walberg. Thank you. I wish you well.

Ms. Wade, according to the testimony of small business owners, there is a lot of investment that is going on as a result of the tax savings.

Based on your research, prior to the Tax Cuts and Jobs Act of 2017 could small business owners have made these investments in their businesses' employees as well as debt obligations?

Ms. Wade. In our monthly survey, we have seen before the law that taxes and regulatory issues were some of their largest challenges in operating their business with the time responsibility in complying with taxes and regulations, but also the cost burden. They are certainly feeling some relief from both sides of those areas.

And then with that they are able to support more growth, expansion, and capital spending in their businesses and reinvest increased earnings and profits.

Mr. Walberg. That helps communities as well, doesn't it?

Ms. Wade. Absolutely.

Mr. Walberg. Mr. Chairman, I yield back.

Mr. Griffith. I thank the gentleman for yielding back and now recognize the gentleman from Maryland, Mr. Sarbanes, for 5 minutes.

Mr. Sarbanes. Thank you, Mr. Chairman.

Thank you all for being here.

It is sort of hard to believe that our Republican colleagues want to come and celebrate this tax bill when you look at the fact that the great majority of the benefits of it have flowed to the very wealthy in this country, to corporate America. It is the sort of the height of chutzpah, as far as I can tell.

I am particularly concerned about the backroom politics around this thing. The Republican donor community basically let it be known that this had to be brought across

the finish line or they were going to hold up their donations.

Politico talked about how a Texas-based donor fundraiser refused to give money to Washington Republicans until the gridlock broke in Congress. Pleased with the tax reform efforts, he said he has since called off the strike. Within days of the tax bill passing the Senate, several other GOP donors started cutting checks to the Republican committees after having not made large donations to Federal candidates all year.

Paul Ryan cut a "thank you" video that he sent out to the Republican donors. In 13 days after the House passed its version of the tax bill, Charles Koch and his wife Elizabeth combined to donate nearly half a million dollars to Speaker Ryan's joint fundraising committee.

In my view, that is called "payment on delivery." The tax bill was hashed. The money started to flow because it does benefit people at the very top of the income and wealth range here in America.

But we are here talking about a tax bill that gives power to the powerful when we really should be talking in every committee and every Member should be talking about this tragedy that is unfolding at our southern border.

And the fact of the matter is our President, if he wants to be a big man, he needs to do something about that. You don't create a legacy, Mr. President, by giving power to people who already have power. You do it by lifting up people that are suffering, by lifting up people that are downtrodden.

You are the big man. You fancy yourself that. You have the power. I don't know how many times I have seen the President hold up an executive order like this. He has the authority. He could solve this problem in 5 seconds, the time it takes to sign an executive order, but he won't do it.

And I just see this imagery of Donald Trump, 6'2", 6'3", standing there with a small

child in front of him looking up at him and pleading and saying: Don't separate me from my mother, don't separate me from my father.

He has the power to fix this, and our Republican colleagues should be standing up and making that declaration. They should push back. They should show some spine. They should show compassion. They need to look into their hearts. They need to tell the President that this is an offense to humanity. And they need to tutor him on how government works, that he has this power, that he can make a difference, that he can stop this.

We are having a hearing about a tax bill that empowered corporate CEOs and Wall Street executives and gave more power to people in this country who don't need power. They don't need a President for that. They have plenty of power already and influence, as they demonstrated by instructing the Republican caucus to go pass this tax bill.

What a President is for, what you need the power of the Presidency for is to look out for people who are suffering.

So I implore my colleagues as Americans -- not Republicans, Democrats -- as Americans we need to stand up and say to the President of the United States: Not in a week, not in a day, not in an hour, but in the next 10 minutes you could fix this with one executive order, with indicating that the policy is going to change. Do that for the small child that is standing in front of you, Mr. President.

I yield back.

Mr. Griffith. I thank the gentleman for yielding back.

I now recognize the gentleman from New York, Mr. Tonko, for 5 minutes.

Mr. Tonko. Thank you, Mr. Chair.

Mr. Chair, it has been said already, but this hearing is outside our jurisdiction. What we can and should be doing, in terms of oversight, is focus on the children being

forcibly separated from their families and placed into the custody of the Department of Health and Human Services' Office of Refugee Resettlement.

The President's family separation policy and the related pain of separation anxiety just caused in our children are inhumane outcomes. It is immoral, and it doesn't speak to our values as Americans. We need answers, we need accountability, we need action from this President.

Mr. President, children are crying for your help.

Instead of wasting time on other issues that this committee should be doing, we should be focusing on that HHS need.

So, by now we have heard this all before, but it needs to be said again to the tax policy. The Republican tax bill provides massive giveaways to the wealthy, and ultimately it will be middle class families that pay for it -- more pain inflicted.

We are already seeing the consequences through rising healthcare costs. In my home State of New York, insurers are requesting an average premium increase of 24 percent for 2019 due largely to provisions in this Republican tax cut bill.

And the bill blows a massive hole in the budget. CBO has confirmed that it will increase deficits by nearly \$2 trillion in the next decade. That is about \$12,000 per worker.

Americans should be worried that this new budget outlook is going to give more fuel to Republicans who want to reduce benefits or privatize America's most essential social safety net programs, like Social Security and Medicare.

But instead of tax cuts that disproportionately benefit the wealthy, I want to turn our attention to investments that would help the public at large, including America's businesses.

Mr. Hanlon, do American businesses need good roads?

Mr. Hanlon. Yes.

Mr. Tonko. I would cite the Society of Civil Engineers giving us a grade of D.

What about reliable water systems?

Mr. Hanlon. Yes, absolutely.

Mr. Tonko. Another D given on the report card for drinking water and a D-plus for wastewater.

Would it make the United States more competitive if more businesses had access to broadband?

Mr. Hanlon. Yes, it would.

Mr. Tonko. Many U.S. businesses buy, sell, or operate facilities abroad. Do we need modern ports and airports for our businesses to succeed?

Mr. Hanlon. We do.

Mr. Tonko. I would say we do. We have a grade of D for aviation and C-plus for ports.

Mr. Hanlon, it is no secret that America's public infrastructure is in bad shape, and I believe it needs serious Federal investments. Do you agree that infrastructure investments are critical to long-term sustainable economic growth?

Mr. Hanlon. Yes. And I think the tax bill was a missed opportunity to make those investments.

Mr. Tonko. Right. If we are going to invest in that kind of money, it should have been for that urgent need that would have put people to work building this Nation's infrastructure. But for years we have heard some Members say we cannot afford to make these investments.

And since the passage of the Republican tax bill with the realities of our new fiscal outlook and the \$2 trillion increase in deficits that are going to affect every one of your

workers and businesses, we will hear even more frequently that deficits are far too hard to make major investments.

Don't think this is true? Look no further than the President's so-called trillion-dollar infrastructure plan, which is predicated on budget gimmicks and pushing costs overwhelmingly onto State and local governments. The irony is that the tax bill will make it more difficult for local governments to invest in infrastructure.

I am very concerned about the consequences from changes to the State and local tax deduction, SALT, which now limits the amount of property taxes that can be deducted against Federal income taxes and will really hurt my home State of New York and other areas with high property tax bills.

Mr. Hanlon, how might the SALT changes make it more difficult for local governments to raise revenues to fund infrastructure investments?

RPTR ALLDRIDGE

EDTR CRYSTAL

[12:30 p.m.]

Mr. Hanlon. So the SALT deduction, which previously had no cap on it, was capped at \$10,000 per not just individual, but per couple, with that not adjusted for inflation. So that cap is going to becoming increasingly binding over time, which means that it is going to make State and local tax payments essentially cost more for families.

And that is going to make it harder, we don't know how much harder, but it is going to make it harder, all else being equal, for State and local governments to raise the revenue they need for education, roads, and everything, all the other kinds of services.

Mr. Tonko. All while infrastructure remains one of the biggest concerns of business. You need good infrastructure to make things happen, to ship your product, to conduct business.

In the short term, shareholders will enjoy the stock buybacks. But these businesses' investors need to understand that the long-term success of your company and our economy will be built by modernizing and sustaining our public infrastructure.

It just says the tax bill will lead to a tax on Social Security and Medicare. It will also ensure much-needed Federal infrastructure investments are not made while making it harder for local governments to fill the gaps.

With that, Mr. Chair, I yield back.

Mr. Griffith. I thank the gentleman for yielding back.

And I now recognize myself for 5 minutes.

Let's talk about SALT for a minute. Let me tell you what SALT did in this country. It took districts like mine in southwest Virginia where the people are struggling to make ends meet, who are trying to hold on to their house, and it made them pay money,

additional money, to support folks in rich areas of the country -- in all fairness, like Mr. Tonko's district. And he is a good man. He is looking out for his constituents. I am looking out for mine.

Mr. Tonko. Yield for a question, please, Mr. Chair?

Mr. Griffith. I will gladly yield.

Mr. Tonko. Do you know the average income in my district?

Mr. Griffith. I don't know the average income, but I know that if you are having to worry about SALT, if you are in my district, that is a million-dollar house in most of my 29 jurisdictions, a million-dollar house.

If you can afford a million-dollar house, you can probably afford to pay your own taxes instead of asking my coal miners -- I take back my time -- instead of asking my coal miners to pay the taxes for those folks who have million-dollar houses.

I mean, that is what I am facing in my district. You don't have to worry about it if you don't own at least a million-dollar house.

All right. That being said, and while I am on a vent, a lot of comments have been made about CBO today and looking at CBO scoring of this and that. I would just remind everybody that when this committee authorized the sale of spectrum, CBO said it would be zero. We got \$40 billion. They were way off on the last farm bill. They were way off on ObamaCare.

And last year, when I put in a shot-across-bow amendment under the rules that said that we were going eliminate \$15 million, and there are 89 employees who do their analysis, they came back -- and I gave them a second chance to get it right -- they came back and said it would have zero impact on the budget. Eliminating their analysis would have zero impact on the budget.

So if they don't think they are worth anything, I don't know why I should.

All right, let's get back to what this hearing is actually about.

Tax reform, tax cuts, it has started to show benefits in my district in southwest Virginia. And while Mr. Green's jurisdiction had oil and they were doing very well, my coal and natural gas folks weren't doing quite as well, because our natural gas is not on the surface. It is down deep. It is in the methane, in the coal beds.

And we have seen some revival there. We have seen significant revival nationally. I was recently visiting the West River Conveyors and Machinery factory. It is a small factory in southwest Virginia in a little place called Oakwood. And what was telling was not only are they expanding, they are working more, and they make equipment for mining all across the country.

But one of their biggest problems that they were facing right now is that the economy is going so good they are having a hard time finding truckers to take that heavy machinery that Mr. Hanlon doesn't believe we are investing in, our companies are investing in, they are having a hard time finding the truckers to take the machinery that they have built for facilities all across the country from point A, from Oakwood, Virginia, to wherever it needs to go on point B, because everybody else is competing for a limited number of truckers. That tells me the economy is percolating and things are good.

And then you get down to the employees. Not only does that mean that they are expanding and building a new building on their tract of land, not only does that mean jobs, but then you have EnerVest, an oil and natural gas company with about 95 employees in southwest Virginia, First Sentinel Bank of Richlands, First Bank and Trust of Abingdon, the K-VA-T food stores, that would be Food City for everybody watching at home, Charter Communications, McDonald's, Kroger, et cetera, who are all doing things. And then last but not least, we got this little facility in Bristol, Virginia.

Mr. Ferguson, would you like to talk about that little facility and how it has helped

those folks?

Mr. Ferguson. That little facility is growing, expanding. We have been able to improve its asset base. We have invested in it. I think we added 12 jobs just in the last month. And we have got "help wanted" signs all over the place. So we have had to increase our wages to be able to recruit.

And we look for that facility to do really well this year, and we are going to be investing more in it.

Mr. Griffith. And those 12 folks who were working at your facility in Bristol, Virginia, they don't think that this tax cuts and jobs bill was just crumbs for them, do they? They are able to feed their families now, aren't they?

Mr. Ferguson. Well, and actually the 60 folks that were already at that site all got nice bonuses and nice raises. And they still have their \$250 rewards and recognition that they can buy some TVs and whatever they want to buy with it.

The 12 people that were added came in at the entry level, and we are training them to be mechanics so that they will be able to move up and hopefully become supervisors and plant managers.

Mr. Griffith. Well, we appreciate that. And we appreciate the hard work that they do. And we appreciate the work that you are doing to continue to have jobs in southwest Virginia.

It is an extremely important in an area that has been economically hit hard by the previous administration and by policies that have not looked out for folks in more rural, in areas that have a coal-based economy, because while they don't mine any coal in Washington County at this point in time, there are an awful lot of businesses that have connections to the coal industry and other industries in the area, and we do appreciate it.

And with that, I yield back.

Seeing that there are no additional folks here who wish to ask questions, I would like to thank all of our witnesses again for being here today and for taking the time while we went off to vote to stay around.

Before we conclude I would like to ask for unanimous consent to submit the following documents for the record. That is a joint letter from the National Hydropower Association, the American Biogas Council, the Biomass Power Association, and the Energy Recovery Council.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Griffith. Pursuant to committee rules, I remind members that they have 10 business days to submit additional questions for the record, and I ask that the witnesses submit their responses within 10 business days in receipt of the questions.

Any objection to that, Mr. Rush?

Mr. Rush. No objections.

Mr. Griffith. No objection being heard, that is approved, and this hearing is concluded.

Thank you all very much.

[Whereupon, at 12:37 p.m., the subcommittee was adjourned.]