S. Hrg. 117–289

AN ECONOMY THAT WORKS FOR EVERYONE: INVESTING IN RURAL COMMUNITIES

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING INVESTMENT IN RURAL COMMUNITIES

APRIL 20, 2021

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: https://www.govinfo.gov/

U.S. GOVERNMENT PUBLISHING OFFICE
47–903 PDF WASHINGTON : 2022

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

SHERROD BROWN, Ohio, *Chairman*

JACK REED, Rhode Island
ROBERT MENENDEZ, New Jersey
JON TESTER, Montana
MARK R. WARNER, Virginia
ELIZABETH WARREN, Massachusetts
CHRIS VAN HOLLEN, Maryland
CATHERINE CORTEZ MASTO, Nevada
TINA SMITH, Minnesota
KYRSTEN SINEMA, Arizona
JON OSSOFF, Georgia
RAPHAEL WARNOCK, Georgia

PATRICK J. TOOMEY, Pennsylvania
RICHARD C. SHELBY, Alabama
MIKE CRAPO, Idaho
TIM SCOTT, South Carolina
MIKE ROUNDS, South Dakota
THOM TILLIS, North Carolina
JOHN KENNEDY, Louisiana
BILL HAGERTY, Tennessee
CYNTHIA LUMMIS, Wyoming
JERRY MORAN, Kansas
KEVIN CRAMER, North Dakota
STEVE DAINES, Montana

LAURA SWANSON, *Staff Director*
BRAD GRANTZ, *Republican Staff Director*

ELISHA TUKU, *Chief Counsel*
TANYA OTSUKA, *Counsel*
BETH COOPER, *Professional Staff Member*

DAN SULLIVAN, *Republican Chief Counsel*
ALEXANDER LEPORE, *Republican Detail*

CAMERON RICKER, *Chief Clerk*
SHELVIN SIMMONS, *IT Director*
CHARLES J. MOFFAT, *Hearing Clerk*

C O N T E N T S

TUESDAY, APRIL 20, 2021

WITNESSES

Additional Material Supplied for the Record

AN ECONOMY THAT WORKS FOR EVERYONE: INVESTING IN RURAL COMMUNITIES

TUESDAY, APRIL 20, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., via Webex, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order. Thank you all for joining us. The hearing is in the virtual format. A few reminders as we begin.

Once you start speaking, there will be a slight delay before you are displayed on the screen. To minimize background noise, please click the mute button until it is your turn to speak or ask questions.

You should all have one box on your screens labeled "Clock" that will show how much time is remaining. For witnesses, you will have 5 minutes for your opening statements. For all Senators, the 5-minute clock still applies to your questions.

At 30 seconds remaining, you will hear a bell ring to remind you your time has almost expired. It will ring again when it has expired.

If there is a technology issue, we will move to the next witness or Senator until it is resolved. To simplify the speaking order process, Senator Toomey and I have agreed to go by seniority for this hearing.

For years, the work of the Committee on Banking, Housing, and Urban Affairs has been far too much about Wall Street, far too little about housing, and almost nothing about people's everyday lives in urban and rural communities.

"Urban Affairs" may be in our Committee's title, but we have jurisdiction over matters integral to the economic health and vibrancy of all communities—including rural America. Whether you live in Philadelphia or Cleveland or Atlanta, Perry County, Pennsylvania, or Perry County, Ohio, the work of this Committee is vital to the shared prosperity of all Americans, urban and rural.

This is the first full Committee hearing dedicated to rural America, believe it or not, in nearly a decade. Senator Toomey to his credit held a Subcommittee hearing on rural banking in 2015, and I thank him for that. I am sure he will agree that it has been too long since we focused on the issues facing rural America.

The hopes and dreams of all Americans are pretty similar. We want jobs with dignity. We want to be valued for the work we do. We want a community where our families can grow and flourish. And we want the opportunity to join with friends and family and neighbors to leave the world better than we found it.

The 46 million Americans who live in rural communities share these dreams. They reflect the vibrant diversity of our country. From the foothills of Appalachia in Pennsylvania and Ohio, to Native American tribal lands on the Great Plains, from Black communities in the Deep South, to Hispanic and Asian communities in the West, we find resilient, hard-working men and women trying to make a better life for themselves, their families, and their communities.

I know the pride people have in their hometowns, like I have in my hometown of Mansfield, Ohio. They want these places to be successful. They do not want to be told to pick up and leave to find better opportunity. Crumbling infrastructure, high unemployment rates, low wages, and gaps in access to banking and housing and transit make rural areas especially vulnerable in an economic downturn. Workers and families and community leaders pour their hearts and their resources into these communities, trying to preserve the legacy and grow more new businesses and attract new investment.

But these same communities have watched for decades as investment dries up, plants are shuttered, storefronts are boarded over. University economists, CEOs, and conservative Washington politicians make public pronouncements about capitalism's "creative destruction"—dismissing workers' anger, informing us that these actions are the inevitable result of free and unfettered markets.

Corporations close down factories; they move good-paying union jobs abroad where they can pay lower wages and exploit workers. Ohio workers from Bucyrus to Lordstown know what this feels like. Big corporate agriculture has made it harder for small family farms to compete. Local, independent businesses close shop because they cannot compete with Amazon. Big banks buy up their smaller competition and close local branches, leaving communities 30, 40, sometimes 50 miles from a place to deposit a check or build crucial relationships at their bank. The banks claim people can just use online banking, but that does not help if your community does not even have reliable broadband.

As the banking sector gets more concentrated, it is harder for small businesses and farms and families to get loans to hire more workers or expand their operation or to buy a home.

The biggest banks and the largest corporations look at quarterly profits, oftentimes not considering the long-term economic impact on these communities and small businesses.

And despite the simplistic picture we often see in the national media, these communities are not only made up of people who look like—they are no longer made up of people who just look like me. Rural America is as diverse and culturally vibrant as the rest of the country. Centuries of violence and displacement and structural racism have pushed rural communities of color even further behind.

Native communities have some of the highest levels of poverty. Many families suffer from overcrowded housing without plumbing, without heat. The same is true for Black families and farmers that have faced decades of discrimination, including lending discrimination.

Many rural families of all backgrounds do not have a safe, affordable home. If there is not affordable housing, communities cannot attract new business because there is nowhere for workers to live.

Last month, I was talking to the CEO of a credit union in southeast Ohio who knows the housing needs in his Appalachian community. He wanted to do something about it. He meets lots of well-qualified families who could pay a mortgage, but they cannot afford a 20-percent downpayment. So his credit union created a new mortgage program for members of his community to have that pathway to home ownership. That is the kind of ingenuity we see all over the country from lenders who actually live in and understand these places. We learn from them.

Our witnesses today know what it means for the local economy when the big banks abandon rural towns or when a big-box chain store forces out small businesses. They know how working low-wage jobs makes it impossible to make the rent, let alone save for a downpayment. And they know that homegrown, local businesses understand better than anyone what their communities need.

Anyone who has raised a family or started a business in Appalachia or Indian Country or the Carson Valley knows these places cannot rely on Wall Street banks and corporations to help them. People in rural towns and counties remember how the biggest firms recovered after the last financial crisis, and they were left behind. They saw history repeat itself over the past year—when big franchises got help from big banks, small businesses were shuttled to the back of the line, and Black and Hispanic businesses were far less likely than White businesses to get loans at all.

Over and over, I hear the same thing from communities large and small, rural and urban: They need more resources. They have tried to make it on their own because they have to—not because they do not want investment or do not want their fair share of our country's prosperity.

To recover from this crisis and rebuild a stronger economy, rural communities need direct investment in infrastructure and economic development. We have made a good start with the American Rescue Plan. Now we look forward to the American Jobs Plan to help us invest in our rural communities—in central Pennsylvania, in southeast and northwest Ohio—for the long term.

We will invest in broadband and rural buses and affordable housing and the next generation of American manufacturing. We will invest in new energy technology to address climate change and create good-paying jobs in communities of all sizes. And if we make these investments, these local communities will be strong and resilient in the face of the extreme weather events—wildfires, flooding, and hurricanes—that threaten our rural communities, as they do all of this Earth, more and more each day.

When we put communities, not corporations, at the center of our policy, when we invest in local people and businesses who make up our rural communities, we will get an economy that works for everyone.

Senator Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman.

You know, I think what we are going to hear today are two competing visions for how we help rural America. On the one hand, we are going to hear that the Federal Government must play the central role. Just expand the size of Government, increase spending, put more people on welfare, have more Government programs, and that will solve the problems.

But there is another vision, and that is one in which we implement policies that allow rural areas to thrive. And we know Americans can succeed if we just give them the chance.

One of the many spectacular examples of this was the U.S. energy renaissance of recent years. It has been a game changer for so many rural communities. My home State of Pennsylvania has a lot of rural areas, and some are certainly struggling and others are thriving. I do not know any of them that want to be long-term dependents on the Government. The goal should be to have thriving communities of self-reliant people.

As we consider the state of the rural economy, it is important to remember where we were just a little over 1 year ago, because before COVID came along, we were experiencing an almost unprecedented economic boom, including in rural America. We had the lowest unemployment rate in 50 years. In rural America, unemployment had dropped to 3.5 percent in 2019—its lowest level in a decade. Nationally, including in rural America, Black and Hispanic unemployment rates hit all-time lows in 2019. We had more jobs than people looking for jobs. We had a record-low poverty rate. We had wage growth across the board, and wages were growing fastest for workers of the lowest income. So we were narrowing the income gap. These are all objectives that my Democratic colleagues say they support. But we were achieving them just over a year ago. My suggestion is let us get back to the best economy of my lifetime.

And we know how we got there. It was a combination of reform to our Tax Code that made America much more competitive, rolling roll back excessive regulation. We ran an experiment in economic freedom, and lo and behold, once again it worked, especially for low-income workers.

An important part of that whole story was America's energy renaissance. In 2019, the U.S. became a net energy exporter for first time since 1952. We did it in large part by becoming the third-largest exporter of liquefied natural gas. And as gas replaced coal as the fuel for America's power plants, CO_2 emissions actually declined—not relative to projections. They actually declined in absolute terms. In fact, in 2019, the U.S. led the world in reducing energy-related CO_2 emissions. In 2019, we had the lowest CO_2 emissions since 1992, the lowest per capita CO_2 emissions since 1950.

Across the country, the oil and gas industry was supporting more than 10 million jobs, very often in rural communities. In Pennsylvania—which is the second-largest producer of natural gas—the oil and gas industry has supported 300,000 jobs up and down the supply chain. A majority of gas production in Pennsylvania occurs in rural areas, like Susquehanna County. It is our largest natural gas-producing county; it is also one of our least densely populated counties.

But as we know, last March, our powerful economy was roiled by COVID–19, and we were facing the very real threat of a full-blown depression. No question about it. In 2020, Congress in a bipartisan fashion repeatedly stepped up to prevent a full-blown depression, providing almost $4 trillion in relief. And, fortunately, our economy is now in a very robust recovery mode, as it has been for months. The unemployment rate has dropped from almost 15 percent last April to 6 percent this March. Twenty-three States have unemployment rates at or below 5 percent, and many of these are rural States. Real GDP growth is expected to be extremely strong this year.

My point is we can and should continue this robust recovery, and we can recapture the best economy of my lifetime, which was only a year ago, as long as the Federal Government policies do not undermine our ability to do it. Unfortunately, that is exactly what some of our Democratic colleagues and this Administration are threatening to do.

For example, the spending bill that our Democratic colleagues passed on a party-line vote actually pays people more not to work than they can make working, so it is not a big surprise that in March the NFIB monthly survey found 42 percent—almost half—of small businesses had job openings they could not fill. That is a record high.

The Biden administration has proposed massive tax increases and regulatory burden increases that will undo the tremendous success we had just achieved. Some of these are going to hit rural America particularly hard. Some already have. Take, for example, President Biden's termination of the construction of the Keystone oil pipeline. He has indefinitely banned new oil and gas leases on Federal lands. The Biden administration is also seeking to coerce banks and investors to stop providing capital to fossil fuel companies and stifling U.S. agricultural exports by maintaining tariffs on Chinese goods and materials.

Today we are going to hear from two witnesses about the harm that has been caused by the attack on the energy industry, and particularly the harm to rural communities.

Kathleen Sgamma is the president of the Western Energy Alliance. She will testify that these policies cause significant job losses.

And Senator Affie Ellis is a member of the Wyoming Senate. Her State ranks first in the Nation for natural gas production on Federal lands and second in oil production on Federal lands. She will describe how the leasing ban harms Wyoming's economy and education budget, which receives substantial funding from Federal energy royalties.

I wish we could all agree that it would be a worthy goal to get back to the best economy my lifetime. We can do that without wasting more taxpayer dollars, without imposing massive tax hikes, and without increasing regulatory burdens on businesses. We should be rolling back the harmful Biden administration policies that are threatening the U.S. energy renaissance, and if we did, we would be doing a lot of good for the rural economy.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

I will introduce today's witnesses, and they will begin their testimony.

Mr. William Bynum is the CEO and founder of Hope Enterprise Corporation, Hope Credit Union, and the Hope Policy Institute, collectively known as HOPE, which serves communities in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee. He has served in a number of nonprofit and Government leadership roles, including the Treasury Department's Community Development Advisory Board.

Ms. Stacy Mitchell is the codirector of the Institute—I am sorry. I just lost that. I do not quite know what I did there.

She is the author of the books "Big-Box Swindle" and "The Home Town Advantage".

Ms. Marcia Erickson is Chief Executive Officer of GROW South Dakota, which advances housing, education, and economic opportunities throughout South Dakota. She serves on the Rural Advisory Council for the Rural Local Initiative Support Corporation as part of the New Markets Tax Credit Advisory Board for the Midwest Minnesota Community Development Corporation. She recently became president of the board of directors for the National NeighborWorks Association.

The Honorable Affie Ellis is a State Senator in Wyoming representing southwest Laramie County. Senator Ellis was first elected in 2016. She is the first Navajo, the first Native American woman to serve in the Wyoming Senate. She currently serves as the chairwoman of the Wyoming Senate Travel, Recreation, Wildlife, and Cultural Resources Committee and is an attorney with the law firm Holland & Hart.

Ms. Kathleen Sgamma is the founder of Western Energy Alliance, which engages in public lands, environmental and regulatory issues on behalf of the Western oil and natural gas industry. Prior to joining the alliance 15 years ago, she spent 11 years in the information technology sector and 3 years as a military intelligence officer in the U.S. Army.

Welcome to all of you. Mr. Bynum, if you would begin.

STATEMENT OF WILLIAM J. (BILL) BYNUM, CHIEF EXECUTIVE OFFICER, HOPE ENTERPRISE CORPORATION, HOPE CREDIT UNION, HOPE POLICY INSTITUTE

Mr. BYNUM. Thank you. Good morning, Chairman Brown, Ranking Member Toomey, and Members of the Committee. Thank you for holding this hearing and for inviting me to speak today.

My organization, HOPE, provides financial services and engages in policy advocacy to help ensure that people, regardless of where they live, their gender, race, or place of birth, have the opportunity to support their families and realize the American dream. The majority of HOPE's 36,000 owners are Black families and women. This is significant because it speaks to whom we are accountable. But I also represent thousands of White, Latino, and other families across the Deep South who are too often on the wrong side of the economy.

I would like to underscore a few points. One is that rural regions of persistent poverty suffer from systemic underinvestment, particularly those where a large share of the population is people of color. Persistent poverty is a predominantly rural phenomenon. Of the country's 395 persistent-poverty counties that have been over 20 percent for three decades in a row, eight out of ten are nonmetro. A third of these are in Alabama, Louisiana, and Mississippi. Housing conditions, health conditions, education, and employment outcomes are all worse in rural persistent-poverty counties, and not coincidentally, some of the highest rates of unbanked and underbanked households are also in these counties.

Mississippi, where my organization is headquartered, is only one of four States where half the population lives in rural areas. Mississippi also has the highest poverty rate in the Nation, the highest percentage of Black residents; 60 percent of people who live in persistent-poverty counties in Mississippi are people of color.

The Library of Congress has a map that illustrates the concentration of slave holding on the eve of the Civil War in the United States. If you fast-forward 400 years and overlay that map with one of today where the poverty rate has exceeded 20 percent for more than half a century—not the Federal definition, but for half a century—you will see that Mississippi and the Louisiana Delta and the Alabama Black Belt stand out on both maps.

It takes me to my second point. Creating rural communities that work for all must include strategies for building wealth through home ownership and small business ownership. The primary source of wealth on America's balance sheet is the home. Downpayment assistance for first-time homebuyers is one of the most effective tools for increasing economic mobility in rural communities and communities of color. We should replicate and expand programs like NeighborWorks' LIFT program that provides downpayment assistance for low-income homebuyers, teachers, servicemembers, and first responders who get special provisions.

Also small business ownership reduces the Black–White wealth gap, which is 10:1, 100:1 for families with children, to 3:1—not equal ratio but from 3:1. Minority-owned businesses are more likely to hire people of color, and increasing access to this capital is critically important. This was made evident during COVID–19 where so many small businesses and entrepreneurs of color did not have access to PPP financing.

Third, to close these gaps, banks have to do more. As I mentioned earlier, these persistent-poverty areas are products of systemic underinvestment. Black families in Mississippi making $150,000 are more likely to be denied a mortgage loan than a White family that makes $50,000. Similar circumstances for Black entrepreneurs. In Arkansas, where 16 percent of the population is Black, only 1.5 percent of SBA 7(a) loans went to Black businesses. CRA is one important way to address this.

My fourth point is that CDFIs, community development financial institutions, are vital to closing these gaps. Over the past year, we increased our business loan output from 40 in a year to 4,000 PPP loans, most of them to small mom-and-pop businesses in rural areas. Also, we were about to route funds to poor rural municipalities that could not get CARES Act funds from their local governments. We are thankful that Congress realized the important role played by CDFIs and increased funding to CDFIs.

That brings me to my last point. Future investments have to go to those institutions that have a record of deploying these funds where it makes the biggest difference. Just like any business, CDFIs vary. In Mississippi, an analysis of HMDA data show that CDFI banks in Mississippi actually had a lower rate of mortgage lending to African-Americans than the overall banking sector in the State. So we have to make sure that those investments target those entities that have the greatest track record of closing gaps, prioritize investments in CDFIs that have a track record, and hold State governments accountable for achieving the result intended by Congress. The outcomes are very different in rural Deep South States than they are in Ohio or California or Massachusetts. Accountability with the use of Federal funds is absolutely vital.

Thank you, Mr. Chairman, Ranking Member Toomey.

Chairman BROWN. Thank you, Mr. Bynum.

Ms. Mitchell, you are recognized for 5 minutes. I am sorry to bungle your introduction there. Welcome.

STATEMENT OF STACY MITCHELL, COEXECUTIVE DIRECTOR, INSTITUTE FOR LOCAL SELF-RELIANCE

Ms. MITCHELL. Thank you so much, and good morning, Chairman Brown, Ranking Member Toomey, and Members of the Committee. Thank you for inviting me to participate today. My name is Stacy Mitchell. I am the codirector of the Institute for Local Self-Reliance, a research and advocacy organization focused on strengthening local communities.

One of the most troubling trends we have seen in recent years is widening regional inequality. We have a few "superstar" cities, mostly on the coasts, that are prospering. Meanwhile, much of rural America, on the other hand, is falling further and further behind. Good jobs are rare. Poverty is high. Grocery stores and banks are closing. Black and Native American communities have been especially hard hit.

At the root of much of rural America's distress is the concentration of economic and financial power. Corporate concentration has harmed rural communities in multiple ways. It has allowed a few dominant agribusiness giants to drive down the prices that farmers, ranchers, and food production workers are paid. It has led to plant closings and layoffs. The town of Eden, North Carolina, for example, lost its two main employers, Anheuser Busch and Ball Corp., after each acquired a rival and then shuttered its local operations.

Concentration has also led to a sharp decline in small businesses. These losses are happening everywhere, but they are especially damaging in rural communities where small businesses play an outsize role in the social fabric and in creating jobs. We have long assumed that small businesses are closing because they cannot compete. But, in fact, the real culprit is more often the brute exercise of market power by dominant corporations.

Take the case of independent pharmacies. Research shows they provide lower prices and provide better service, yet many are closing. Ohio alone has lost more than 400 pharmacies since 2013.

Why are local pharmacies disappearing? The problem is that giant, vertically integrated health care corporations, including CVS Health, not only compete with local pharmacies, they also control how much they are reimbursed by insurers. These companies have been slashing reimbursements to local pharmacies and steering the business to themselves.

Similarly, local grocery stores are closing across rural America. They are being driven out on the one hand by the predatory tactics of Dollar Store chains in States like Georgia and Kansas, and at the same time, as a recent study documented, by the fact that big chains like Walmart are using their buyer power—their dominant power as buyers to demand that suppliers give them better prices and terms while charging higher prices to independent grocers.

Amazon's stranglehold over the online market has been another major blow to independent businesses. While corporations are cutting off small businesses' access to markets, our concentrated banking system is starving them of capital. Since 2010, bank lending to small businesses has fallen dramatically. Many businesses, especially Black-owned businesses, are struggling to obtain capital. In rural communities, small business lending peaked in 2004 and is now half of what it was then.

This problem is structural. Big banks do very little small business lending. Most small business loans come from community banks, but community banks are fast disappearing. Between 2006 and 2018, we lost a staggering 41 percent of our community banks. Today more than one-third of rural counties lack a community bank. This is a national crisis.

People say that the problem of big banks is that they are too big to fail. But the deeper issue is that these banks are too big to succeed. They are too big to succeed at doing exactly what we need banks to do, which is to provide productive loans. Their scale is fundamentally mismatched to the needs of local economies. This was dramatically illustrated last year with the Paycheck Protection Program. In States like North Dakota, where, owing to an unusual State policy, community banks are numerous, more than twice as many small businesses were able to get a PPP loan than in States like Nevada, where community banks are rare and big businesses dominate.

This matters all the time, of course. Research has found that places that lack community banks have fewer startups, fewer businesses, and fewer new jobs. Today's extreme levels of market concentration are the result of deliberate policy choices. This includes, most notably, the systematic weakening of antitrust policies since the 1980s and the dismantling of our banking institutions in the 1990s.

To bring life and hope back to rural communities, we must restore the vigor of our antitrust policies and break up concentrated power. Small businesses are not asking for handouts. They are asking for a level playing field. My organization has been deeply engaged in the crucial work to do this. It is now happening in the House and Senate Judiciary Committees, and we are also eager to engage with this Committee in thinking about how to restructure the banking system and rebuild financial institutions.

My written testimony offers several policy approaches for doing this, including capping bank market shares, strengthening bank merger reviews, creating more public banks and postal banks, as well as other ideas.

Thank you so much.

Chairman BROWN. Thank you, Ms. Mitchell.

Ms. Erickson is recognized for 5 minutes. Welcome.

STATEMENT OF MARCIA ERICKSON, CHIEF EXECUTIVE OFFICER, GROW SOUTH DAKOTA

Ms. ERICKSON. Thank you Chairman Brown, Ranking Member Toomey, Senator Rounds from my home State of South Dakota, and Members of the Committee, for the opportunity to provide testimony today.

As a lifetime of rural South Dakota, CEO of GROW South Dakota, and the president of the board of the National NeighborWorks Association, I am very passionate about addressing the needs of rural communities. One of the needs that I work to address is housing.

Housing is the foundation of success for our rural communities across the country. During the pandemic, housing became even more sacred than ever before. Rural communities across our State and country continue to express a variety of housing needs. However, rural and Native communities are both challenged to secure flexible capital to meet those needs.

One source of flexible capital is NeighborWorks America, but the need is much greater than what one organization can address alone. Gap financing for home ownership is needed as the cost to build is higher in rural areas. Along with that, there is a difference between the appraised value and actual costs. Lumber and material prices have also increased, further impacting this challenge.

This complicates addressing the current housing shortages. Homes that are available may be in the higher price range or need substantial renovation, and then when it comes to selling a home, the number of appraisers available are very limited. Appraise and construction internships may be part of the solution.

To further address home ownership rates on Native lands, a loss mitigation pool should be considered. A capital pool that sets aside funds to mitigate the risks that a lender may encounter would be helpful.

Another solution to the housing challenges in rural America would be to find accountable national entities in order to provide capital to meet the unique needs of rural areas. This funding could then be used to support mission-based lenders. Mission-based play a critical role in reaching underserved markets. These organizations are the frontline servicers that already have established a presence in rural communities. Mission lenders are not governed by banking regulations and can provide financing where traditional lenders cannot. Along with making capital accessible to underserved populations, these organizations often pair loans with technical assistance to coach businesses or provide housing counseling to prepare homebuyers.

Homebuyers and rural businesses could both benefit from changes in program regulations. For instance, the Community Development Financial Institution Fund provides access to lending capital for both housing and business loans. One challenge of the CDFI funding is the requirement of nonFederal match. Match is especially difficult to secure in rural markets that lack access to private funding sources. We would recommend the CDFI Fund lift the match requirement.

The USDA Rural Development Intermediary Relending Program is also an excellent source of loan capital to relend to businesses. This loan also has a non-Federal match requirement. Match funds are currently restricted until the rural development loan is paid in full. We recommend match funds are released pro rata with the debt that is paid down to rural development. IRP funds should also be considered for first mortgage lending.

The Small Business Administration Microloan Program assists businesses needing financing in the amount of $50,000 or less and provides for technical assistance. Currently, SBA has waived the requirement on the percentage of preloan technical assistance versus postloan. This is the type of flexibility that is needed to better assist businesses seeking to startup or expand. This waiver should be implemented permanently.

Consideration should also be given to simplify HOME funding and the Department of Energy Weatherization Assistance Program through regulation reform. These are greatly needed sources of capital for our housing needs, and with small regulation changes, these funding sources could be much more efficient and effective.

In closing, I strongly support needed funding sources into housing and mission-based community lenders. Effective organizations like those that are members of NeighborWorks America, the CDFI Fund, and other accountable organizations should be allocated increased funding. Let us build, rebuild, and address the lack of quality housing and access to capital. Investments like this are essential to revitalizing our rural economy. I urge you to make large-scale investments to help our rural communities and economy grow for decades to come.

Thank you for the opportunity to testify on the needs of the rural communities.

Chairman BROWN. Thank you, Ms. Erickson.

Senator Ellis is recognized for 5 minutes. Welcome.

STATEMENT OF AFFIE ELLIS, WYOMING STATE SENATOR, DISTRICT 8

Ms. ELLIS. Good morning, Chairman Brown, Ranking Member Toomey, and Members of the Committee. My name is Affie Ellis, and I am State Senator from Wyoming. It is an honor to appear before you today.

Wyoming is one of the largest land-based States, though we are the least populated State in the country with fewer than 600,000 people. Though we are small, we are mighty in the sense that we power America. Wyoming produces 14 times more energy than it consumes, and it is the biggest net energy supplier among the States. Wyoming has ranked first in the Nation for natural gas production and second in oil production on Federal lands. In 2019, the oil and gas industry delivered $1.67 billion to State and local governments in Wyoming, and it employed nearly 20,000 people.

I grew up in Wyoming, and I am thankful for all the opportunities it provided me. My parents are both Navajo, and they grew up on the Navajo Reservation. They attended boarding schools where my dad was taught to weld. When they graduated in the mid-1950s, my dad found a job working as a welder in Jackson Hole, and they started our family there. As the youngest of four kids, I was the first in my family to attend college and eventually earned my law degree.

I decided to run for the Wyoming Senate in 2016 to give back to the State which has given me so much. At the time we could see on our horizon a downturn in energy production, which would impact almost all the services Wyoming provides to its citizenry. Wyoming has among the most volatile year-over-year revenue collection in the Nation, which has forced us to recognize boom years for what they are and plan accordingly.

As a result, we have saved and we continue to save a significant portion of the revenue derived from mineral production to offset years when development is not as robust. We have worked to support our other top industries, which are tourism and agriculture, and to develop new industries, particularly in the field of technology. Despite these efforts, there is no other sector that produces the kind of revenue for Wyoming that energy provides.

With declines in energy production, Wyoming has cut its budget significantly in the last several years, which has impacted things like health care services, support for our seniors, and the developmentally disabled. With continued assaults on domestic energy production, we are now working to resolve a $300 million per year projected structural deficit in K–12 education. Wyoming leaders recognize the precariousness of revenues derived from energy production. We know we cannot control global markets, and we know we cannot predict the price of oil. However, we have significant concerns when leaders within our own country attack and undermine our energy economy. Nearly half of the surface lands in Wyoming are managed by the Federal Government. The Bureau of Land Management, for example, has lands that significantly support oil and gas leasing, including BLM lands that are intermixed with private lands and State lands in what we refer to as “the checkerboard.”

Because Federal land management decisions impact the livelihood of our citizens and the strength of our State so heavily, we commissioned a study to understand the potential impacts of an oil and gas lease moratorium and drilling ban on Federal lands. A link to that study is included in my written testimony.

For Wyoming, the study found that “either a moratorium or an outright drilling ban would constitute a significant shock to the Wyoming economy, reducing tax revenues, income, and employment.” By the end of President Biden’s first term, a moratorium would cause Wyoming to lose an average of 15,269 jobs annually, lose cumulatively $8.3 billion in gross domestic product, $3.8 billion in personal income, and $1.8 billion in State tax revenues. An outright ban would be even more devastating.

You can imagine how we felt on January 20, 2021, when the U.S. Department of the Interior called for an immediate 60-day suspension of new oil and gas leases and drilling permits on Federal lands. I want you to think of your State's number one priority. This order is akin to banning rubber and plastic manufacturing in Ohio or banning gaming in Nevada. The moratorium has been extended, and our State is gravely concerned it will be extended indefinitely or that an outright ban is soon to follow.

Accordingly, our Governor has filed a lawsuit which explains how this halt on new oil and gas leases violates several existing Federal laws, and it asks the court to require the Bureau of Land Management to resume quarterly oil and gas lease sales.

Additionally, one of Wyoming's two tribes expressed its opposition to the leading moratorium because, although Indian tribes themselves are exempt from the moratorium, the adverse impact on Wyoming also adversely impacts tribal members, who are also citizens of our State. I hope we can reverse course.

As Wyoming continues to navigate its way out of these incredibly challenging economic times, we appreciate your willingness to support policies that support economic recovery in rural places like Wyoming. As the U.S. Senate considers not only what the Federal Government should do, it should also discuss what the Federal Government should not do. Wyoming needs you to understand how Executive orders, signed with a stroke of a pen without congressional approval, can literally devastate our State's economy. We want the freedom, stability, and support from our Federal leaders to be able to invest in ourselves.

Thank you for this opportunity to provide written testimony. I am happy to answer any questions.

Chairman BROWN. Thank you, Senator Ellis.

Ms. Sgamma is recognized for 5 minutes. Welcome to the Committee.

STATEMENT OF KATHLEEN SGAMMA, PRESIDENT, WESTERN ENERGY ALLIANCE

Ms. SGAMMA. Thank you, Mr. Chairman, and thank you, Ranking Member Toomey and Members of the Committee. I really appreciate the opportunity to talk today about how the oil and natural gas industry is part of an economy that works for everyone and invests in rural communities. I think Senator Toomey summed it up well in that most of oil and natural gas development in this country takes place in rural areas, so we are definitely a solution in rural areas, and we invest billions of dollars in rural areas.

Western Energy Alliance represents about 200 companies engaged in all aspects of environmentally responsible oil and natural gas development in the Western States. Because we are in the West where it is predominated by public lands, our members operate on public lands, and they are independents who are those small businesses with an average of 14 employees. So we are definitely those small businesses that some of the panelists talked about earlier, investing in rural communities.

You know, our impact goes well beyond the States like Wyoming and Pennsylvania where there is a lot of natural gas and oil development. We provide $1.3 trillion in economic impact across the entire country, and we employ 10.3 million people, indirectly, directly, and induce jobs that are supported by the wealth that we create here in the United States.

We also invest in rural communities through our royalty returns to individual royalty owners. I would like to highlight that individual Native American royalty owners also receive billions of dollars—are also part of those royalty owners that receive billions of dollars every year. For example, Navajo Indian allottees receive—about 21,000 Navajo allottees receive about $96 million in royalties every year, and that is investment and sustenance of families that otherwise are in a rural area that definitely suffers from unemployment and poverty. So we help sustain that community in the Four Corners region of New Mexico, Colorado, Arizona, and Utah.

So we are proud of that investment, but as Senator Ellis mentioned, you know, when you look at some of the policies coming out of the Biden administration and their impacts in rural communities, it is definitely at odds with the goals that we have heard expressed from other panelists today. The investment that would be lost from the leading ban that President Biden announced within a week of taking office would kill 32,000 jobs this year alone, and most of those are in—well, all of those would be in eight States in the West that provide 97 percent of Federal oil and natural gas production. So that is very contrary to those goals of investing in rural communities.

Likewise, the cancellation of the Keystone Pipeline immediately killed 1,000 union jobs in Montana, Nebraska, and South Dakota. And, you know, another 10,000 jobs will not be created from contracts that the company would have moved forward with if they were allowed to continue building the Keystone Pipeline. So that is a total of 11,000 jobs that will not be created this year or actually killed, those 1,000 union jobs.

Likewise, the offshore ban, although I represent a landlocked region, we are talking about rural communities all across the country, and coastal communities on the Gulf of Mexico will see about 102,000 jobs killed if that leasing ban persists. So the job loss is just contrary to the goals of this Committee.

I would also like to point out something that is often forgotten, which is that oil and natural gas is about the sole source of funding for conservation on public lands. The Land and Water Conservation Fund is 100 percent sourced from offshore oil and natural gas. The Great American Outdoors Act enabled about $1.9 billion a year to go directly from oil and natural gas royalty revenue into national parks conservation and infrastructure. So President Biden's order banning leasing on Federal lands puts at risk $2.8 billion every year in conservation funding, with no other source of revenue to support that.

So thank you very much for the opportunity to appear before you today. I look forward to questions.

Chairman BROWN. Thank you, Ms. Sgamma.

The questioning will begin with Senator Tester. He has an Appropriations Subcommittee he needs to chair, and he played a major role with Laura and Tonya and others on my staff in putting together this hearing. So, Senator Tester, you are recognized for 5 minutes.

Senator TESTER. You are very kind, Mr. Chairman. I want to thank you for that opportunity.

I have listened to most of the testimony, and I could tell you that I am more than a little bit displeased at the politicization of this hearing. I have been around since 1956. I have watched through the 1960s, the 1970s, the 1980s, the 1990s, the 2000s, the teens as rural America has dried up and continues to dry up. And the folks who were testifying, the ones that I heard just lately, want to pin this on energy.

Let me tell you what the biggest industry in Montana is. It is agriculture—grain, pulse crops, cattle. And I have watched through the 1960s, the 1970s, the 1980s, the 1990s, the aughts, and the teens. Our markets get consolidated and consolidated and consolidated. And, quite frankly, in the private sector, there is no capitalism when you go sell your grain or your cattle or your pulses on the market, because you have four companies that control 80 percent of the food supply—not in the United States—in the world. And we have watched schools like the one I graduated from go from 160 kids in the 1970s to less than 50 kids today. And we are just going to focus on energy.

I got news for you, folks. This is a hell of a lot bigger issue than energy. This is about rural America that has been drying up for decades, and there has been one person that I have heard talk about what the real problem is, and it is consolidation. And, by the way that consolidation occurs in energy also.

And so my question is for Stacy Mitchell, and that is, as I look at my small town of now 500 people when it used to be 1,100 people, where we used to have five grain elevators to buy our grain and now we have none, can you tell me what the Federal Government should be doing to encourage capitalism, to encourage competition, to encourage the private sector to play by the rules and not consolidate and beat the hell out of folks that are in production agriculture.

Ms. MITCHELL. Thank you, Senator Tester, for that question. I really appreciate your comment and very much agree with it. You know, we are just—we do not have a market anymore. We do not have markets. We have allowed a few big corporations to effectively regulate our markets. We are being governed by private entities when we go out into the marketplace, these giant corporation things that are harming farmers, that are harming small businesses, pharmacies, grocers, and working people across the country. And what we need to do about that is resurrect our antitrust laws. You know, we became really captivated by this idea beginning in the 1970s and 1980s that bigger is better, and we turned our antitrust laws on their head, and we effectively changed how we interpret them and, thus, their enforcement. And the result is that we have allowed a few companies to grow dominant across the economy.

You know, I am really encouraged that there is growing attention to this problem and that we are in the process hopefully of having legislation come through Congress to restore the vitality of our antitrust laws and to break up some of the biggest concentrations in the market, including Amazon. I think this is really critical to restore what it means to live in an equitable society, to restore liberty, to restore democracy, and to really restore the power of communities to direct their own future.

I think that is a lot of what is going on in rural America, certainly in my State of Maine, is this incredible sense of powerlessness that people have, because more and more we are beholden to Wall Street banks, to giant corporations like Walmart who run our lives and control our future.

Senator TESTER. I want to thank you for that, Stacy, for those comments.

Marcia, I would like to get your perspective on this also.

Ms. ERICKSON. Thank you, Senator. I am from a five-generation farm, and my two sons will be taking over our farming operation. Ag is our primary economic driver in South Dakota. It really is. We continue to have the population losses that you spoke to. I am from a community of 100, and I just say please continue to invest in and support our farmers. They need it. They are at the mercy of the markets, and I thank you for bringing this to our attention.

Senator TESTER. Well, I want to thank you both for that comment. I will tell you that Senator Rounds, your great Senator from South Dakota, is concerned about this issue, too, and it is just about what we can do about it to really get our arms around it because, quite frankly, if we do not have good old-fashioned capitalism in our marketplaces, then we are in trouble.

So I just want to thank the Chairman for allowing me to go first. I appreciate it, because I do have conflicts. I owe you one, Sherrod. Thank you.

Chairman BROWN. Thank you, Senator Tester.

Senator Toomey is recognized for 5 minutes.

Senator TOOMEY. Thank you, Mr. Chairman. And let me just follow up with an observation. The consolidation that we have seen in agriculture, that has happened all across the country. In my State of Pennsylvania, which has been dominated by small family owned farms, it is much more difficult to make ends meet. We have a lot of dairy farms. In most years they lose money.

The truth of this whole situation that we have got to weigh and think about is the reason this has happened is because more efficient farming systems and approaches and companies deliver lower-cost food for consumers. And that is going to mean that the folks who have a hard time competing with that, those communities are going to be hurt. But how much more do we want to force low-income people to have to pay for their food so that we can preserve a status quo that we remember from decades ago? I think we have got to be honest about the whole picture here.

Ms. Mitchell, you made, I thought, a very salient point about the lack of community banks, the consolidation in banking, and it is not just consolidation. It is an almost complete absence of new community banks. Up through 2007, it used to be very typical for the FDIC to approve over 100 new charters for community banks, which exclusively serve their community. They are aptly named. In 2007 itself, there were 190 applications that were approved. But from 2009 through 2019, the average annual number of new community banks approved in this country was 5½ single digits.

Why is that? I will tell you a big part of the reason is because we have a Fed that has engineered zero interest rates, and at the same time we have dramatically increased the regulatory requirements. The zero interest rates makes it very hard for a bank to have any net income margin, and the added expense of compliance with regulation has simply meant nobody can figure out how to launch a community bank that can survive. Not nobody, but almost nobody. And I think that is a real problem.

I want to get to a couple of—go back to energy because I know that the Senator from Montana thinks this is a diversion, I guess, but the fact is rural communities that are able to evolve and find new industries, that is a part of the success of those areas, and that has totally been the story in energy. And I am wondering if Ms. Sgamma—you know, in Pennsylvania not only has it been hundreds of thousands of jobs, but there has also been tremendous savings for consumers. Gas prices in Pennsylvania dropped 65 percent when our rural communities started producing gas. And I guess my question for you is: If the Biden administration continues this policy of banning new leases and maybe goes even further, what is the impact going to be on rural communities for the cost of the energy that they need?

Ms. SGAMMA. Well, that is absolutely correct. We have saved consumers hundreds of billions of dollars over the last decade in lower energy prices, both natural gas and oil. I do feel a little bit attacked by Senator Tester. I mean, I am not here to represent agriculture. I think if the Committee wanted more agriculture representatives, they could have. But the point is: Why kill other jobs just because this—you know, I am not here representing agriculture, but certainly the Administration should not be attacking energy jobs as a way to solve agriculture jobs. They both can be mutually supportive.

Senator TOOMEY. Thank you.

Senator Ellis, one of the things I was wondering if you could share with us is what will the impact be on Wyoming's schools, and including rural schools? Most of Wyoming, as you point out, is rural. These schools, my understanding is they depend significantly on royalties from oil and gas, and if this Administration's ban on new leases remains in effect, is that going to have a significant adverse impact on the rural schools of Wyoming?

Ms. ELLIS. Thank you, Senator Toomey. The answer is yes. You know, Wyoming is very blessed in that we have an abundance of natural resources, including robust minerals. And we have relied on that mineral industry to provide for significant revenues in our State's budget. And so it is not just about severance taxes and ad valorem. It really is a trickle-down of other industries, you know, that supports local welders and other related businesses.

So when we see a tax on our energy economy, it really does hurt rural America, because as we see students move out, then, you know, declining enrollment. But as we look at declines in production and the cost of, you know, things like the price of oil, we are looking at a $300 million annual structural deficit out of a $1.5 billion statewide K–12 education budget.

We are working through those issues, and we are happy to do that, knowing that our economy is very reliant on a volatile industry that depends on commodity prices. However, when our Government leaders start attacking our economy directly, that is where we have significant concerns. And I would echo Ms. Sgamma's sentiment that, you know, I am happy to talk about some effects that we have in our agricultural industry in Wyoming. It is important for us to support our ag producers. We have large cattle ranching opportunities. Our State legislature often has tried to take aggressive stands to provide more opportunities for our ag producers in kind of breaking up some of that consolidation that was mentioned. However, when we look at our forecast for the future, it really depends on our energy economy for how we are going to fund all of our essential services.

Senator TOOMEY. Thanks very much.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

Ms. Mitchell, let me start with you. I understand that you have a degree in labor history. We have seen the links that corporations like Amazon will go to stop its workers from organizing a union and gaining power on the job over wages and benefits and scheduling. We all witnessed how Amazon unleashed all its power to fight its own Alabama workers, the people who make its company successful.

How can supporting workers and strengthening unions improve local rural economies and communities?

Ms. MITCHELL. Thank you, Senator, for that question. You know, I think it is important to note Amazon just incredibly dominates just a core infrastructure of our economy. They capture two-thirds of online shopping traffic. They are a major provider of web services. They increasingly dominate the logistics industry, and the list goes on and on and on.

Amazon attained this level of dominance in large part by exploiting shifts in public policy. They exploited tax advantages that were not available to their competitors. They exploited lax labor laws. And they exploited the weakening of our antitrust laws to engage in tactics like predatory pricing to seize market power and to push other companies out of business.

You know, I think we are fooling ourselves if we imagine that people can organize against Amazon's incredible market power and succeed if democratic Government is not doing its job to attack that power directly. In the 1940s, 1950s, 1960s, when we had the highest rates of unionization, when we had the broadest prosperity and the gap between working people and the wealthy was shrinking, in that period we not only had strong labor laws, but the Federal Government was aggressive in its antimonopoly policies. Companies like A&P, we broke them up. We prevented them from engaging in abusive market practices, and that is what opened the way for working people to actually be able to unionize those companies.

And so I think it is really critical we think about how these things work together, and it would be—you know, breaking up Amazon's power, restoring the rights of unions and small businesses to thrive in this country would be one of the best things we can do for rural America.

Chairman BROWN. Thank you, Ms. Mitchell.

Mr. Bynum, a couple years ago, Hope Credit Union reported that almost all of its mortgage loans were to first-time homebuyers and people of color in the Deep South. Two questions. Why do you think so many families of color cannot get a mortgage from other lenders? And what should Congress and the Biden administration do to close the racial home ownership gap and allow more families of all backgrounds to join the middle class?

Mr. BYNUM. Thank you, Mr. Chairman. We have seen that barriers in our region include encountering banks that do not have the products or service or interest to serve low-income people and people of color. High levels of discrimination exist at every stage. As I mentioned earlier, for example, in Mississippi, a Black family making $150,000 a year is more likely to be denied a mortgage than a White family making $50,000 a year. These are data reported by the Mississippi Housing Finance Authority to the Federal Government.

It is clear that systemic discrimination in our banking system needs to be addressed. The Community Reinvestment Act is one way to do that. I am encouraged by some of the movement that the Federal Reserve Bank has taken to mitigate the devastating rules put in place by the OCC, and hopefully that will improve conditions. But as importantly is preserving home ownership among families of color who already have it.

The Treasury Department's Homeownership Assistance Fund is a critical way to reach those families that have been affected by the pandemic. For example, we saw after Hurricane Katrina a housing crisis, and we are seeing it again during COVID, those families who are most vulnerable or at risk of losing their primary asset. Fannie Mae and Freddie Mac also need to do more to support home ownership, if not through the banks then for CDFIs like HOPE and other credit unions that are closing the gaps that traditional banks will not and have not served.

Chairman BROWN. Thank you, Mr. Bynum.

Ms. Erickson, and be brief, if you can. As you said, rural communities like other communities in this country have a lack of safe, affordable housing options for both renters and homeowners. What do we need to do to preserve the homes we have to make sure that low-income families can afford them?

Ms. ERICKSON. Thank you, Senator. There are a number of things that we need to do in the rural economy to preserve our housing stock, and some of that starts with regulation reforms in some of our programs that are currently out there working. They are great programs; they just need some amendments. Thank you.

Chairman BROWN. Thank you very much. That really was brief. Thank you.

Senator Rounds from South Dakota, Ms. Erickson's home State, is recognized for 5 minutes.

Senator ROUNDS. Thank you, Mr. Chairman.

Let me just begin, and I want to in particular thank all the witnesses for participating in today's hearing, and I want to thank you in particular, Marcia, Marcia Erickson from GROW South Dakota, for representing our State before the Committee today.

Marcia, in your written testimony, you talk about the number of challenges that you have seen in the housing sector. Can you tell us to what extent these challenges have been exacerbated by COVID–19?

Ms. ERICKSON. Thank you, Senator. Yes, COVID–19 has really brought to light how important housing is for rural America. There is overcrowding many times and substandard housing on Native American lands, and they were having difficulty social distancing during that time, because often they are living in the same households. So we need additional housing for our Native lands and for our rural communities because things like COVID just make these problems more difficult to deal with.

Senator ROUNDS. Yes, that is kind of a good lead-in because it is exactly the—I guess my next series of questions would have to do with housing in particular, and there was recently an article in the *Wall Street Journal* just this last week that found that the U.S. housing market is nearly 4 million homes short of the current buyer demand. This significant deficit is making it especially challenging for first-time buyers to gain access to home ownership. Among the reasons for the gap the article cited, it cited shortages of labor, materials, and suitable land.

Can you speak to some of the specific reasons for housing shortages in South Dakota and rural America more broadly? And I am thinking in particular, you know, when we talk about Native American reservations and so forth, we see real shortages there. And you talked about COVID–19 and about the impact and what it really focused on. We have got lots of homes in rural South Dakota on Native lands that basically will have two, three, four different generations or members of different families living together because of the shortages there. And yet reservations not only because they are on trust land, which makes it more difficult for many lenders to be able to get an appropriate mortgage, because they are not used to dealing with trust land issues, but also because so many of those areas are poverty-stricken, but there are other issues as well in terms of those rural and Native American locations.

Can you talk a little bit—because you are right in the middle of it. Can you talk a little bit about the challenges that are there?

Ms. ERICKSON. Yes, there are many barriers to creating affordable housing in rural communities and Native lands. Lack of contractors is one of them, the cost of development, and many of the homes that are there need substantial renovations. There is a general lack of lots to build. Those are just some of the barriers.

Other barriers on Native lands are the HUD Section 184, for example. I have not worked directly with that, but in order for our Native members to get home ownership, this is a great tool. However, I understand the guidelines from the program have been lagging for years behind the rest of the industry, and I have heard from experts in industry that say it is actually harder for Native Americans to get a loan through that program than other programs. So there are opportunities for those guidelines to be revised or maybe removed.

One thing that was pointed out was the environmental review process, and currently there are two environmental reviews done for a tribal member to get a loan. First, the BIA does an approval of the Environmental Assessment during the recording of the lease, and then it is my understanding that HUD requires another one after that.

One way to address some of the housing shortages and needs is to invest in community development financial institutions, community action programs, CDFIs, members of other entities across the U.S. that work daily, day in and day out, to address the dire needs. There are so many. Every community has needs. It is just how do we address them best and to the greatest extent. Thank you.

Senator ROUNDS. Thank you.

Mr. Chairman, I really appreciate Marcia participating, and before I wrap up, I just have to take a moment to respond to Ms. Mitchell's remarks about the large financial institutions. Her comments about mega banks leaving rural America really could not be further from the truth, at least with regard to South Dakota. Two of the eight U.S. G–SIBs are chartered in my State and are among South Dakota's largest private employers. Another, JPMorgan, offers credit cards to one in eight South Dakotans, and a fourth, BNY Mellon, provides treasury services to our State government and helps local jurisdictions in South Dakota access their bond markets.

A full and a quick rollout of the PPP would not have been as successful in our State without the back-end work that these same institutions undertook. So, look, I just want to say those banks really have provided services, and for those of us in South Dakota, we have appreciated what they have brought in. All of those different tools cannot all be done by just the smaller banks. Larger banks also have tools that are available and that do help us in our rural communities as well.

Thanks, Mr. Chairman.

Chairman BROWN. Thank you.

Senator Van Hollen is recognized for 5 minutes.

Senator VAN HOLLEN. Thank you, Mr. Chairman, and thank you to all the witnesses.

Mr. Chairman, thank you for mentioning in your opening comments the importance of 100 percent broadband connectivity in our country, and this, of course, is an important issue to all parts of our States and country, but is very important in rural areas. The pandemic has shone a harsh light on the digital divide. I remember even before the pandemic I had introduced a bill to close what we called the "homework gap," kids who could not access the internet to do their homework. That has become a full-blown learning gap, and I was very pleased to see that the American Jobs Plan proposed by President Biden allocates $100 billion to make sure we have 100 percent connectivity in our country, making small businesses in rural areas better able to compete to connect our students and to help connect more people with banking services. And I would also point out that in rural areas we have twice the rate of households being unbanked than in suburban areas.

Mr. Bynum, you have spoken about how many small businesses without financing fall prey to predatory lending institutions and payday lenders, and you have spoken about how CDFIs are so important in these communities to help provide some access to capital. As you know—and you mentioned this in your testimony—the Treasury's $9 billion Emergency Capital Investment Program flowing from the December legislation is being set up. What are some of the things you think we should keep an eye on and need to happen to make sure those funds get to where they are most needed?

Mr. BYNUM. Thank you, Senator. I appreciate your question. The Congress has made historic levels of investment in CDFIs in your recent actions, but it is critical that we do not repeat some of the mistakes that have actually resulted in a widening of opportunity gaps in areas. As I mentioned in my testimony earlier, CDFIs play a critical role, but all CDFIs are not the same, just as any organization types have differences.

CDFIs banks in Mississippi proliferated after TARP. Many got resources that stabilized their balance sheets. Some of them do great work. But the mortgage lending by CDFI banks in Mississippi to Black homeowners is a lower rate than non-CDFI banks in Mississippi, by all mortgage lenders in Mississippi, so you cannot have Federal resources widening the gap, and that is a terrible unintended consequence. So the $9 billion in the Emergency Capital Improvement Program should prioritize institutions that have a track record of lending to communities and people who need it most. That is absolutely essential. We should incentivize deep investments in places that have the highest levels of need.

Senator VAN HOLLEN. I appreciate your flagging those issues as we work on the implementation of that program.

I also saw what I think is an important article that you wrote back in November of last year called, "The Wolf Is Back at the Door", you know, and it goes to the issue of predatory lending. You pointed out that, "In Arkansas, the wolf is back at the door, this time wearing sheep's clothing." A Federal regulatory rule finalized on October 27th of last year "undermines our State's constitutional provisions against usurious interest and once again makes thousands of our neighbors vulnerable to predatory payday" lending. This is a rule that has a nice-sounding name, like a lot of these, the true lender rule. But I agree with you, this just opens the door for more predatory lending, and Congress is going to be looking into this. I hope we will roll back the rule.

Can you speak to that and the dangers of that rule?

Mr. BYNUM. Absolutely. OCC finalized the rule essentially on rent-a-banks, and rent-a-banks—the OCC's rule must be nullified. We have seen the devastation of how high-cost loans cost people in our region and undermine some of the strongest protections in the country. Arkansas' 17 percent rate cap should eliminate this, but these rent-a-banks, these many fintech lenders, find a loophole. We have seen members experience how these loans are piling on top of existing credit loans, and they are struggling to repay. So it is critical that these rent-a-bank lenders and the rules be nullified. They do not make a real assessment of a borrower's ability to pay.

Senator VAN HOLLEN. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Van Hollen. Next week, as you know, we are doing a hearing on the rules that you brought up, so thank you for that.

Senator Tillis from North Carolina is recognized for 5 minutes.

Senator TILLIS. Thank you, Mr. Chairman, and thank you to all of the witnesses for being here.

You know, we consistently hear energy-producing rural areas need to diversify and find other industries to support their economies, and I think a lot of policymakers use this to brush off the criticism of the decisions that have gutted economic opportunities for rural areas.

How can you, on the one hand, be expected to diversify in the rural areas? It is largely agriculture and for many States like Senator Toomey mentioned, Pennsylvania, where energy opportunities there, natural gas, are great opportunities that are being shut down. So, Senator Ellis, I was kind of curious if you could speak to the challenges Wyoming has faced with these policies that seem to be incongruent—on the one hand, diversify; on the other hand, take out all the opportunities that you may have to do just that.

Ms. ELLIS. Thank you, Mr. Chairman and Senator Tillis. In my testimony, I go to some great lengths to talk a little bit about how Wyoming in recent years has worked to diversify its tech economy. Certainly living in a rural area, we have had to think outside the box in how we deliver some of our services, and I think COVID–19 has really kind of amplified our ability to look at how we deliver education remotely, utilizing telehealth better and just kind of digging deeper in some of those areas.

Over the last several years, we have invested significantly in trying to expand the number of data centers that we have in our State, making sure our kids are being exposed to computer science at all grade levels. And so some of this does take time. But at the end of the day, no matter what we do, you know, I think we do need to realize that we play to our strengths, and our greatest strength when it comes to revenue production and job production is through energy.

In addition to the traditional forms of revenue generation of severance tax, ad valorem tax, whenever we look at sales tax, for example, the cost of energy companies when they buy that kind of equipment in our State certainly is a contributor to things like sales tax. Assaults on our domestic energy production in Wyoming, it hits us in a lot of different levels, and so, you know, we are happy to continue to diversify our economy. You know, tourism is our second largest industry, and we welcome people to come to Wyoming. But at the end of the day, energy is our strongest strength, and we are proud to power America. And, you know, how these things weave together, I think it is also important to recognize that as our technology needs grow, every picture you take, every video you record that is sent up to a cloud requires that information and data to be housed in a data center. And so we do need to kind of have a better understanding of just our carbon footprint and our energy demands as technology becomes more prevalent in our society.

Senator TILLIS. Thank you, Senator Ellis.

Ms. Sgamma, you have spoken about the lost economic opportunity related to the pause, President Biden's pause on the XL Pipeline and Federal leasing. We had something similar occur in North Carolina. We are not extracting energy, but we were going to be a host to the Atlantic Coast Pipeline that was going to create 17,000 construction jobs and about 22,000 ongoing in operations.

This happens to be—it was mapped through some of our most challenged areas, both in terms of just job growth, but also for an agriculture community that could greatly reduce its energy cost if they had access to natural gas.

So in your experience, you frequently see jobs like the often-promised energy jobs, green energy jobs materialize when projects like the Atlantic Coast Pipeline and the XL Pipeline are canceled? Do you see them make up, that they net out?

Ms. SGAMMA. Thank you, Senator. It points to the fact that they are not mutually exclusive. The fact that there are wind and solar jobs today does not mean that if we kill oil and natural gas development we create more wind and solar jobs. In fact, when we kill oil and natural gas production here in the United States, we send it overseas. So we are sending those jobs overseas, but we are not replacing that energy because over 70 percent of our energy comes from oil and natural gas.

So until there is an alternative that does everything that oil and natural gas do, all we do is ship those jobs overseas. So it is much better to have those jobs, create those jobs in rural areas. And I like the way you put that about the arrogance of telling rural areas to diversify their economies. It is like telling Northern Virginia and the D.C. area to diversify its economy away from the Federal Government. If you are in Rio Blanco, northwestern Colorado, an extremely rural area, you have got 75 percent of Federal lands and 85 percent of your revenue comes from oil and natural gas development. Do not take away their economic base and make that rural community disadvantaged.

So I appreciate your framing that question that way.

Senator TILLIS. Well, thank you, and, you know, I for one think that there is a place for solar and renewable. I supported a renewable portfolio standard when I was Speaker of the House. We benefited famously from that. But this all-or-nothing approach I think is dangerous, and if we really are having this hearing to focus on what we can do for rural communities, we need to stop handcuffing them on the great opportunities that they already have and that they were benefiting from.

Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Tillis.

Senator Smith from Minnesota is recognized for 5 minutes.

Senator SMITH. Thank you, Mr. Chair.

Mr. Chair, I would like to take a moment to acknowledge the passing of Walter Mondale, a dear friend whom we lost yesterday. Fritz Mondale exemplified decency and strength and compassion in his six decades in public life. His memoir was entitled, "The Good Fight: A Life in Liberal Politics", and really that title captures who he was. And here in the Banking Committee, I want to just take a moment to recognize his leadership as a young Senator who helped to pass the Fair Housing Act.

So the Fair Housing Act prohibits discrimination around the sale or rental or financing of housing on the basis of race, religion, national origin, or sex. And back in the 1960s, even though the Supreme Court decisions had declared housing discrimination unconstitutional, the historic impacts of housing discrimination were rampant in segregated neighborhoods and the lack of access to home ownership and financing for Black families.

In fact, Black and Hispanic servicemembers were returning from risking their lives in Vietnam in the 1960s and then struggling to buy a home, and their return really laid bare these deep and systems inequities.

So Mondale, who had only been in the Senate a few years and was a member of the Banking, Housing Committee, went about the work with other Senators of righting this wrong. And on April 4th, the day of the Senate vote, Dr. Martin Luther King was shot and killed in Memphis, Tennessee. This tragedy galvanized members of both parties to come together to pass this historic legislation, which Lyndon Johnson signed into law.

Now, I know from my many conversations with Mr. Mondale that this was one of his proudest accomplishments in the Senate. And I also know that he reminded us that the tenets of the Fair Housing Act have never been fully enforced, leaving us all to keep up the fight and to fulfill the promise of his landmark legislation. So thank you, Mr. Chair, for giving me a moment to appreciate our friend, Vice President Walter Mondale.

I also really appreciate this hearing. This testimony is showing us both the challenges as well as the assets that we find in small towns and rural areas. This is certainly true in Minnesota and all across this country. You know, I have seen in small-town Minnesota the incredible innovation and community spirit and collaboration and kind of “let us just figure it out” mentality in so many communities, like Luverne and Bemidji and New London and all the rural spaces in between those communities. And I have also seen in these communities—and I have seen families that have struggled with chronic racism and disinvestments in housing and broadband and so many other issues.

Ms. Mitchell, I really appreciate so much how you laid out these challenges in rural communities. So I just have a minute, a couple of minutes, but I want to focus in a little bit on this question of access to financing and capital, focus the value of community-based organizations, community banks, credit unions, CDFIs.

You know, my grandmother was the president of a small community bank in northern Indiana, so she was born in 1898, and I saw through her eyes the power of having local institutions who know their customers provide the services to those customers because they know them and they trust them. And I am sorry to say that that bank no longer exists. It has been gobbled up by another big bank.

So, Ms. Mitchell, is this consolidation that we have been talking about today, is this consolidation just sort of the natural result of economies of scale? Or is there something else going on here? And what is the impact of this consolidation on access to capital and credit and financing in small communities?

Ms. MITCHELL. Thank you so much for that question, and my organization has our headquarters in Minnesota, in Minneapolis, and so I just wanted to acknowledge the connection. And I also really appreciate the story about your grandmother and want to learn more about that bank and her life.

You know, this consolidation is not a result of simply market forces. You know, we know that community banks charge lower fees than big banks, that they in many measures operate more efficiently, and they also just do a better job of making the kinds of productive loans that we need.

Community banks are able to access—and by "community banks," I also mean credit unions and CDFIs. They are able to access this rich trove of soft information. They get to know their borrowers. They get to know their communities. And what that enables them to do is to make a much broader range of loans to small businesses and do so successfully.

The structural problem with those banks is that they just do not have eyes on the ground, and they are not able really to take advantage of that kind of soft information at their scale, and so they are just not as successful at making small business loans, and they shy away from it. So we really need to tackle that directly.

I know that we are coming to the end of the time, but just to say that consolidation of banking is, a lot of research shows, the direct result of changes that we made to our banking policies in the 1990s. We really tipped the scales in favor of the big banks, and we undermined the local institutions.

Senator SMITH. Thank you so much.

Senator TOOMEY [presiding]. So my understanding is the Chairman had to step out, and he has asked me to moderate this. So next I think we have Senator Hagerty.

Senator HAGERTY. Thank you, Ranking Member Toomey. I appreciate your holding this important meeting today, and I am sorry the Chairman is not here, but I wanted to thank him for mentioning his own Perry County, because we have a Perry County in Tennessee, and Perry County is exemplary of rural life in Tennessee, the finest that Tennessee has to offer. And it is our rural counties that have suffered tremendously through this pandemic.

You know, rural communities like Lobelville, which is the county seat of Perry County, are really, again, the lifeblood of America and the essence of Tennessee. And as they have suffered through this pandemic, I am very pleased that we are looking at ways to help our rural communities navigate this. That means supporting important efforts like rural broadband, like rural workforce development, supporting our community banks, our farm credit institutions, and other rural lenders who, in fact, did a tremendous job in Tennessee administering the PPP program to help our rural communities and our rural small businesses navigate their way through the economic shutdown that was associated with the pandemic. It also means avoiding one-size-fits-all policies that have harmed our [audio disruption] burdened job creators at a time when we can least afford to do it.

This hearing is also a great opportunity to encourage our bank regulators to continue to work together to expeditiously modernize and improve outdated Community Reinvestment Act provisions. They have also got to promote market stability, increase transparency, and ultimately enhance our banks' ability to help underserved areas in a safe and sound manner. And this Congress and the Administration should continue the great work of the last Congress and Administration to focus on underserved communities, from designating opportunity zones, that has spurred private sector investment, that has spurred job creation, that have really created self-sufficiency in economically distressed communities, to maximizing access to the Payroll Protection Program, to help our small businesses and rural communities navigate the economic shutdown, again, that accompanied this pandemic.

I would like to ask my first question of Mr. Bynum, please. Mr. Bynum, thank you for your testimony, and thank you for your work to advance economic opportunity in rural areas. I know that since 1994 HOPE has generated more than $2 billion of financing that has benefited some 1.7 million people in States like Alabama, Arkansas, Louisiana, Mississippi, and, of course, my home State of Tennessee. I want to thank you, and I look forward to continuing to working together with you in your efforts.

I want to thank you for your unprecedented effort in this public-private partnership.

What I would like to do is ask you, in addition to quickly deploying the Emergency Capital Investment Program's funding into CDFIs, what more can the Treasury Department and its CDIF Program do to support rural areas?

Mr. BYNUM. Thank you, Senator, and I appreciate the question. CDFIs are uniquely effective because they are closest to the ground. They are financial first responders in so many communities that are disproportionately on the outside of the economy. Even with community banks that do a good job, CDFIs are uber-focused on closing gaps in historically underserved communities, such as rural small towns like the one you reference.

Through the PPP program, we saw that CDFIs in Louisiana made seven times more loans to businesses below $150,000 than the largest banks, five largest banks in the country combined. So that illustrates the unique power and focus of CDFIs.

So, again, targeting the precious and rare resources that Congress has allocated CDFIs to institutions that have a track record of serving those underserved rural communities, Native communities, communities of color, low-income mom-and-pop businesses is vital. It is also critical that CDFIs be equipped to access home ownership assistance programs. One of the speakers mentioned NeighborWorks America. They provide critical downpayment assistance that helps close the gaps.

We bring in resources from the Wall Street banks and target them to the communities that do not have access to those banks, where banks closed in record numbers after the financial crisis. Without CDFIs, rural communities will continue to be on the outside looking in.

Senator HAGERTY. Thank you for your great work, Mr. Bynum, and thank you, Ranking Member Toomey.

Senator TOOMEY. Thank you, Senator Hagerty.

Senator Ossoff.

[No response.]

Senator TOOMEY. Is Senator Ossoff with us?

[No response.]

Senator TOOMEY. If not, Senator Lummis.

[No response.]

Senator TOOMEY. OK. Senator Cramer.

[No response.]

Senator TOOMEY. Senator Daines?

[No response.]

Senator TOOMEY. Is there any Senator who is present and has not yet had a chance to ask questions?

[No response.]

Senator TOOMEY. OK. In that case, Cameron, do you happen to know whether the Chairman is expected to be back momentarily, or are we basically finished here?

Mr. RICKER. It sounds like he is finishing up, but Senator Lummis just signed on.

Senator TOOMEY. OK, terrific. Senator Lummis, if you can hear me, you are recognized.

We can see you, Senator Lummis. You are recognized.

Senator LUMMIS. Thank you, Senator Toomey. Can you hear me? We are having some difficulties here.

Senator TOOMEY. We can see and hear you.

Senator LUMMIS. Thank you so much. I appreciate this opportunity, and I particularly want to thank State Senator Affie Ellis for joining us today from Wyoming. She is deeply involved in these issues, and the fact that she is willing to provide testimony today is deeply appreciated, as are our other Western witnesses, because the West experiences so many of the issues that are the subject of this hearing today.

So my first question is for Senator Ellis. What percentage of natural gas and oil development comes from Federal lands in Wyoming?

Ms. ELLIS. Mr. Chairman, Senator Lummis, I believe that about 90-plus percent from Federal lands' natural gas, that is the origin, and then more than half, 50 percent of oil.

Senator LUMMIS. And I am so glad that you had those numbers at the ready because I do not think people understand how significant mineral production is on Federal lands in Wyoming. So when there is a moratorium or a prohibition on producing minerals on Federal land in Wyoming, that essentially removes 90 percent of our production. And since we are the largest exporter, net exporter of energy in the Nation, it puts a tremendous burden on our education system, because such an important component of education funding in Wyoming comes from oil, gas, and coal development on Federal lands.

So, again, Senator Ellis, according to the Wyoming Department of Education, how much did the oil and gas industry contribute to Wyoming K–12 education in 2019?

Ms. ELLIS. Mr. Chairman, Mr. Ranking Member, and Senator Lummis, thank you. In 2019, the oil and gas industry delivered $1.67 billion to State and local governments. Of that, approximately $740 million went to our K–12 budget. As I mentioned in my written testimony, that is about half of our entire expenditure for K–12 education alone. We have about 90,000 students in Wyoming, and we finance our education system well. But it is more expensive to educate kids in rural areas. You know, if you look at our larger cities, places like Cheyenne, we do see some efficiencies of economy. But when it comes to rural areas, there is no other substitute, so those dollars are critical for supporting rural America through our rural schools.

Senator LUMMIS. Well, thank you. And as you know, the oil and gas industries can move. They can go to the Permian Basin where it is private land, and the only one that gets hurt is the State of Wyoming and our school kids. It does not hurt the oil and gas companies. It does not stop them from producing oil and gas. It only hurts Wyoming and the people who live there.

Mr. Chairman, I ask unanimous consent that a letter to President Biden from Wyoming Superintendent of Public Instruction Jillian Balow regarding the fiscal impact on Wyoming students and schools be entered into the hearing record.

Chairman BROWN [presiding]. Without objection, so ordered.

Senator LUMMIS. Thank you, Mr. Chairman.

Senator Ellis, how difficult has it been for the Wyoming Legislature to adequately fund education over the last decade?

Ms. ELLIS. Funding education remains probably the biggest challenge that I am working on our horizon. As I mentioned, we have a $1.5 billion annual budget for K–12 operations, and we are looking at a $300 million structural deficit. You know, certainly the Federal Government has passed things like the American Recovery Plan Act. We have received that funding, but a lot of that comes with some strings. So, unfortunately, as we have been studying that issue and how to allocate that to our school districts to maintain equity and maintain our effort, you know, I think at the end of the day my biggest concern is that we are going to see our cliff actually grow because we are really limited in our ability to rein in some of the spending on K–12 education.

So we are looking at that act and trying to understand some of those challenges that are there, but that is the number one issue that I have been working on and that many of my colleagues are focused on going forward.

Senator LUMMIS. And how much of the State's tax revenue, including education funding, is projected to be lost from President Biden's moratorium?

Ms. ELLIS. So the Wyoming Legislature is very concerned about any moratoriums or drilling bans that affect our Federal lands. Several years ago, we appropriated some dollars to commission a study. The University of Wyoming was selected, and a UW economist produced a report in December of 2020. The report statistics were sobering. Over the next 4 years, it looks like Wyoming will lose about $1.8 billion with the moratorium on new drilling leases, lease activity. A full ban would be even more devastating. And to put that, again, in perspective, our annual operations for just the general fund of our government is $1.3 billion. This removal would really take out an entire year of us being able to fund our State government operations and more if the moratorium were to continue indefinitely or if more dramatic steps occur in the future which would ban drilling on Federal lands outright.

Senator LUMMIS. I have so many more questions, Senator Ellis, but, unfortunately, my time is up. Thank you so much for your testimony.

Mr. Chairman, I yield back.

Chairman BROWN. Thank you, Senator Lummis.

Senator Ossoff from Georgia is recognized for 5 minutes.

Senator OSSOFF. Thank you, Mr. Chairman. And thank you to our diagnosis panelists for this opportunity to discuss issues of particular concern to rural Georgians, particularly as we debate this upcoming infrastructure initiative.

Mr. Bynum, thank you for your work at HOPE. You note in your testimony that in the Deep South "this longstanding trend of disinvestment, racial and economic inequality, and then a pandemic and economic downturn mean that rural communities continue to lose funding, resources, population, and hospitals." And I want to highlight in particular the closure of rural hospitals. We have lost nine rural hospitals in the last 10 years in the State of Georgia.

For example, Southwest Georgia Regional Hospital in Cuthbert, Georgia, closed last October in the middle of a pandemic, and it served a patient population that was largely uninsured or underinsured, and the people of Cuthbert and the surrounding areas now have to drive an hour and a half or 2 hours just to get to an emergency room.

The State of Georgia has also refused to expand Medicaid, although I and many hope that State leaders will now move to expand Medicaid since Senator Reverend Warnock and I secured $2 billion in incentives in the recent American Rescue Plan.

Mr. Bynum, can you please discuss the importance of hospitals like Southwest Georgia Regional Hospital in Cuthbert to rural communities and Medicaid expansion?

Mr. BYNUM. Thank you, Senator Ossoff. Absolutely. Rural Georgia has a great deal in common with rural Alabama, Louisiana, and Mississippi. HOPE has financed rural health centers and hospitals in persistent-poverty counties such as the county where Cuthbert is located, and so we are familiar with the importance and challenges.

These hospitals are critical sources of jobs and health, as we have seen during the pandemic, and you do not find traditional banks running to these projects, largely in part due to their dependence on Federal support, because so many low-income patients who are underinsured, again, in the absence of Medicaid expansion. So the only way we would have been able to finance these hospitals is because of access to CDFI resources like the New Market Tax Credit Program, which is hard to come by, particularly in persistent-poverty areas. Our analysis shows that only 5 percent of new market tax credit allocations have gone to rural persistent-poverty counties from 2003 to 2017. So there is significant access to resource gaps that limit opportunity and limit these rural communities from getting access to these critical lifesaving resources.

Senator OSSOFF. Thank you, Mr. Bynum, and I would like to discuss as well the importance of rural broadband internet access as we build this interference bill. Georgia's Department of Community Affairs has reported that approximately 70 percent of the locations lacking high-speed internet access are in rural Georgia. There is particular need in the rural areas around Augusta and in rural areas of south Georgia south of Savannah and around Valdosta, for example. Can you please discuss the economic impact and the importance of expanding rural broadband internet access particularly in south Georgia and rural Georgia?

Mr. BYNUM. Certainly, and, again, it is very similar conditions as we find across the rest of the Deep South. It will be critical for the Administration to connect infrastructure resources with CDFIs who make sure that those funds reach the most vulnerable areas. As we have seen during the pandemic, the lack of broadband has limited access to educational opportunities for low-income and rural communities. Telehealth is limited because of the lack of access to rural broadband. We cannot provide adequate mobile banking services in the absence of adequate broadband infrastructure.

So to get these needs to the communities that are so vitally underserved without being subject to the whims of Southern State policymakers that have unfortunately a deplorable track record of directing resources to the most vulnerable communities, particularly communities of color, it is critical that resources be directed— be refunneled directly to grass-roots, on-the-ground organizations such as community development financial institutions.

Senator OSSOFF. Thank you, Mr. Bynum.

With my brief remaining time, rural transit, the Chairman has admirably focused us on the importance of rural transit in the upcoming infrastructure bill. Could you just comment on the importance of rural transit to expand economic opportunity and access to basic services, particularly in communities like the Chattahoochie River Valley of west Georgia, which you know well, in and around surrounding Muscogee County along the Alabama line. How can investment in rural transit improve quality of life in the Chattahoochie River Valley?

Mr. BYNUM. If you do not have access to adequate transit, then you may as well be unemployed in rural areas because you just have so much territory to cover. If you do not have a car or truck in rural areas, you may as well be unemployed. Low-income people and people of color in rural communities are more likely to be preyed upon and receive access to high-cost predatory financing to get access to mobile car loans and truck loans. And so transit solutions are vitally important.

Again, CDFIs have a history track record of addressing transit-related needs and financing to help close infrastructure gaps such as transit and health care and education.

Senator OSSOFF. Thank you, Mr. Bynum.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Ossoff.

Senator Cramer from North Dakota is recognized for 5 minutes.

Senator CRAMER. Thank you, Mr. Chairman. Thank you. And thanks to all of our witnesses. I have followed this as closely as I can from two committees. They are both really important, and I thank you. It is good stuff.

I think, Mr. Chairman, just as a note of some encouragement up front, I wanted to talk about a bill that Senator Lujµn and I just introduced. It is called the “Revive Economic Growth and Reclaim Orphaned Wells Act of 2021”, and the reason this is good for rural economies and why it has got both a Republican and a Democrat introducing it is because it helps clean up—provide jobs cleaning up old orphaned oil and gas wells that were, you know, drilled and made long before there were reclamation laws and regulations. And there are about 56,000 of them around the country, and, you know, Ben Ray and I just feel like this is a good opportunity for the two parties to come together and do something constructive that enhances the economies of local communities and States where there has been obviously some dropoff in workers in the oil patch because of demand. I am not even talking about the current Administration's policy, but because of a drop in demand. It is a good opportunity to put people to work in a field that obviously they know something about, good-paying jobs as well as cleaning up the environment.

With that, I want to stay on the topic of energy policy in rural America because, of course, we know a thing or two about that in North Dakota, and get real specific here and real current. Yesterday—and I will not go through all the history, but yesterday was an important day in Washington, DC, in the district court because Judge Boasberg had set yesterday as the deadline for supplementing the record as it relates to the decision ultimately whether or not to shut down the Dakota Access Pipeline, which moves about 570,000 barrels of North Dakota per day to market and has been doing that now safely for about 4 years. And it is being litigated, and I will not go through all those details.

But yesterday was an important day, and I wanted to offer just a couple of words from a filing yesterday in the district court here in D.C. by Mark Fox, the chairman of the Mandan, Hidatsa, and Arikara Nation, also known as "Three Affiliated Tribes." The Fort Berthold Reservation is sort of in the heart of the Bakken, and I will just give you a couple of things from his statement. Then I am going to ask unanimous consent to insert it into the record, Mr. Chairman. But he says that the MHA Nation's cost of health insurance alone exceeds $40 million per year. Just think about that. They spend $40 million a year for health care for the members of the Mandan, Hidatsa, and Arikara Nation.

Now, what about the shutting down of the Dakota Access Pipeline, which is being litigated? And it has become important because, of course, we are talking about Federal lands; we are talking about rural economies. But he says here—there is this short paragraph. He said, "I directed MHA Nation staff and consultant experts to provide a study of the financial harm that could be done to the MHA Nation in the event DAPL was shut down. They have estimated that the losses will exceed $160 million over the first year, exceed $250 million over 2 years," and, of course, that goes on forever if that pipeline gets shut down, and I will not go through all the other issues, but I would just ask unanimous consent to put this into the record.

Chairman BROWN. Sorry. My mic was off. Without objection, so ordered. Sorry, Senator Cramer.

Senator CRAMER. No problem. Thank you, Mr. Chairman.

What has this all got to do with Banking? Well, obviously, we are also facing serious discrimination in certain aspects of our economy, certain industries within our economy, by particularly large banks. Obviously, the oil and gas industry as well as the coal industry and the utilities that generate the electricity, that generates more electricity, and that captures the carbon and pipes it to locations, all of the opportunity for not only job creation, wealth creation, but—and I might ask Ms. Sgamma about this. I do not really see global demand shrinking a great deal real fast. Perhaps over time that will happen. Somebody is going to meet that demand. I do believe that climate change is global. We hear that a lot, that it is global. What I worry about is, first of all, Mandan, Hidatsa, and Arikara Nation, they are going to produce that oil. And if it does not move by a pipeline and if there are banks—if the banks and financial institutions stop financing things like pipelines because of pressure from advocates, it is going to be trucked; it is going to be railed. It is going to go to the coasts and get on barges, all of which is many, many more greenhouse gases than does a pipeline. Or worse than that, it is going to be produced in Russia or Venezuela or Nigeria. And I might just ask, Ms. Sgamma, do any of these other countries or, for that matter, any major oil-producing country, do they have cleaner environmental protections or better environmental protections than the United States?

Ms. SGAMMA. Not those countries you mentioned, Senator, but certainly Canada and Norway I would say are the only ones who are comparable to the United States.

Senator CRAMER. So that brings us to the Keystone XL Pipeline. Isn't that ironic? You know, I sited the first Keystone Pipeline through North Dakota, 600 landowners' land. Not one inch of it had to be condemned. It is ironic, isn't it, that oil from Canada displaces oil from Venezuela. We have not even talked about the national security implications. My point is if we are going to have a serious discussion about rural economies, we have to talk about certainly agriculture and we have to talk about energy production. And I would just plead with my friends—and this is why I started by talking about the bill that Senator Lujµn and I have introduced together. Let us look for real solutions to the climate crisis, regardless of what people might believe about it, whose fault it is, how fast it is coming, all of those things. If the goal is to reduce emissions, let us work with our banking friends or financial friends. Somebody is going to invest in these things, and most likely the investment will be more expensive and less insured than our banking communities.

Could I just ask you, Ms. Sgamma, are you familiar with any of the challenges and have you seen any specific examples of the financial industry, you know, discriminating against——

Chairman BROWN. Ms. Sgamma, we are way over time, so be brief, if you can, on that answer. Thank you.

Ms. SGAMMA. Certainly we have seen activists try to deny the industry of banking and financial resources, and that would definitely mean less investment in rural areas.

Senator CRAMER. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thanks, Senator Cramer. I appreciate it.

Senator Daines just popped up, so the Senator from Montana, Senator Daines, is recognized for 5 minutes.

Senator DAINES. Just in time, Mr. Chairman. Thank you. We are all doing the quick Zoom shuffle here. Thanks.

So I just spent some time in eastern Montana. I was hearing from our community leaders, businesses, Montanans, about the impact of President Biden's decision on day one to kill the Keystone XL Pipeline. Today's hearing is about investing in rural communities. I tell you, I wish we could take President Biden and many Members of this Committee to go out to eastern Montana to these rural communities and hear firsthand what is needed. I can tell you what is needed is the Keystone XL Pipeline.

Instead of investing in rural communities through commonsense, extensively studied, privately funded projects like the Keystone Pipeline, the Administration plans to rip away jobs and leave these communities literally in the dust. This is infrastructure paid for by private sources. It generates tax revenues, like $80 million. This goes directly to our schools. There is a beautiful gymnasium that was built out in eastern Montana in a small community that had six kids in their graduating class. I said, "How did you afford the gymnasium?" They said, "Pipeline tax revenues."

So it generates tax revenues, and, third, of course, the Keystone Pipeline, it generates less carbon emissions than the alternative of either rail or truck to transport the oil. So it has kind of left us scratching our heads about why this project was killed when it is positive on every front here for these rural communities. That is real investment.

Ms. Sgamma, the Biden administration is saying they canceled the Keystone XL Pipeline to protect the environment despite the fact we know the Keystone XL Pipeline would reduce transportation emissions, and the company planned to run the pipeline at a net-zero emission standard. Could you speak to how these heavy-handed, top-down decisions from President Biden, frankly, ideologically based, not based on science, like killing the Keystone XL Pipeline, stopping oil and gas leases on Federal lands, they only hurt communities, kill jobs, and actually have a negative impact on the environment?

Ms. SGAMMA. Absolutely. Since natural gas is the No. 1 reason the United States has reduced more greenhouse gas emissions than any other country since 2000, it is largely because of displacement in the electricity sector, more natural gas electricity generation has reduced greenhouse gas emissions, more emissions than have wind and solar combined. So we are very proud of that record. I cannot really add anything to what you just said about Keystone operating at zero emissions. But I would add that immediately that decision killed $1.6 billion of investment in Montana, South Dakota, and Nebraska along that pipeline route and killed 11,000 jobs that would have come from that investment.

Senator DAINES. Thank you, Ms. Sgamma. The $80 million a year of tax revenues in perpetuity was a huge windfall, frankly, for these impoverished eastern Montana counties that need those dollars for schools, teachers, law enforcement, basic taking care of infrastructure like plowing roads in the wintertime, as an example.

Senator Ellis, you know firsthand how important energy and pipeline revenues are for local communities. Can you speak about how we can support our rural communities by investing in our energy economy?

Ms. ELLIS. Thank you, Mr. Chairman and Senator. You know, first and foremost from Wyoming, the purpose for me to be here today is to urge Members of Congress and the Presidential Administration to remove this halt and moratorium on oil and gas leasing on Federal lands. You know, certainly over the years we have invested a lot in developing not only our energy resources but other natural resources as well. And Wyoming and our country have a lot to be proud of. We do regulate these activities very fairly and do our best to make sure that we are conserving our natural resources. And so I think, you know, any effort and movement that we can to recognize that we are protecting our natural resources and conserving them while having robust domestic energy production, that those two activities coexist certainly are appreciated in my neck of the woods.

Senator DAINES. Thank you. We talked about natural gas and oil and so forth. I want to talk a little bit about forestry. The timber sector in Montana was once a major economic driver for our rural communities across our State. In fact, when I was growing up, we had over 30 sawmills in Montana. Now that number has dwindled to seven. It has been devastating to our rural economy not only through job loss but through the financial hardships that accompany an increase in catastrophic wildfires. And, remember, when timber harvest was higher, Montana forests functioned as a carbon sink. Forests absorb carbon. Wildfires emit carbon. Montana forests now yield net positive carbon emissions, and this will only increase unless we dramatically improve forest management.

Senator Ellis, I understand over time Wyoming has lost all timber processing capacity, and now your forests are in the same boat as Montana, operating as a carbon source rather than a carbon sink. Could you speak to the job opportunities and environmental benefits of forest management and what needs to happen in order to restore a healthy wood product sector in our communities?

Ms. ELLIS. Yes, over the last 100 years, I think we have seen a dramatic shift in how we manage our forests in this country. Usually, occasional fires that would go through the area were healthy and natural events that helped sustain forests. But, obviously, we started using our forests—you know, they are housed in the Department of Agriculture at the Federal level, so I think they were always viewed as a crop or a product that we would utilize in providing timber sources for our country. Over the years we have started limiting and putting out wildfires when we see them, and now we are starting to see forests that are more and more condensed and clogged and creating really unhealthy conditions. So certainly in Wyoming, you would think that that would be a great opportunity for private sector activity to go in and clear out some of those dead trees and harvest trees, but we have seen declines in that because of how we manage our forests, and it really is this kind of assault on overall health forest management. It has created a situation where I am greatly concerned about the number of dead trees as I drive through the national forests in Wyoming. I think it is just a tinderbox, and, you know, one unfortunate thunderstorm or campfire that gets out of hand will not only devastate the environment, but just the activity overall really hinders our ability to utilize that resource for good jobs in the West.

Senator DAINES. Thanks, Senator Ellis. I am out of time. It is remarkable that we cannot even get in and cut down dead trees because of radical environmentalists who litigate a lot of these timber projects. Thanks, Senator Ellis. I appreciate your comments.

Chairman BROWN. Thank you, Senator Daines.

I have one last question, and then we will close. For you, Mr. Bynum, we have heard a lot about how we should rely on big energy companies to save our rural economies. We have not heard much from panelists about the devastating environmental impacts they have. Communities of color, as you know, are particularly vulnerable to climate change. Rural communities are no exception.

My question for you, Mr. Bynum: How do we increase accountability of corporations and banks as well as State and local governments to ensure that we invest Federal resources in a way that protects all communities from flooding and wildfire and other natural disasters made worse by climate change?

Mr. BYNUM. Thank you, Senator. It is only prudent that we invest in strategies that mitigate the long-term environmental distress that has been put on rural communities, particularly communities of color. The best way to do this, again, is to get resources to the people and organizations closest to the ground, closest to the problems that we are trying to resolve. When they go through State government and legislatures here in the Deep South, often resources do not get directly to the communities that are most distressed.

One example is the State Small Business Credit Initiative. We saw that during the previous round some States got it right and made more direct investments; whereas, some in our part of the country did not, and the results were not beneficial to those mostly underserved communities. And so I really appreciate that Congress did put some safeguards in the most recent legislation that put requirements on States and ensure more accountability in how these funds are deployed. I really think that is important, as the infrastructure resources go forward, as more recovery resources go forward, that accountability and safeguards are in place to ensure that the intent of Congress and that those most vulnerable communities are the ultimate recipients and are able to climb the economic ladder.

Chairman BROWN. Thank you, Mr. Bynum, for saying that. I have heard in zillions of—we all do—Zoom calls over the last year, I have heard from so many local officials, as many Republican mayors as Democratic mayors, as many Republican county commissioners as Democratic county Commissioners, to focus directly on local governments to help, not run it through a State government—that is no insult, of course, to Senator Ellis in the State Senate, but State governments tend to grab too much of that for themselves. So thank you all.

For anyone who could not be at today's hearing, I am going to encourage them to go back and listen to Senator Tester's words talking about how this is a hell of a lot bigger than energy. It is about rural America that has been drying up for decades, the words he used. I know Senator Tester is tired of lectures, as I am, about the rural economy from people in this town who oppose any effort to actually invest in these communities or to foster real competition or stop the corporate consolidation, particularly in the ag sector, that is hollowing out our towns. They give corporations tax breaks to ship jobs in my State overseas. They have spent years pushing a trade policy that leaves workers behind. They do nothing— nothing—to position rural communities to lead in the industries of the future, and then they leave workers on their own when these local economies are devastated. The people I talk to in rural Ohio and small cities and towns all over my State are tired of politicians selling them empty promises that coal mines, for instance, will reopen. Ohioans know that, as Senator Toomey has noted and Ms. Sgamma suggested, it is natural gas, not Government regulation, that pushed out coal. There is no war on coal. To suggest otherwise is to deceive and disrespect communities seeking a better future. We welcome domestic energy production. We know the boom-and-bust cycle that extractive industries create and that it creates economic uncertainty. That is why, while we support domestic energy production, we must treat communities with respect and honesty and help them plan for our futures and their futures. It is time for all communities to have the resources and the respect for the dignity of work and the respect they need to be successful.

Thank you to the five witnesses today for being here. Your testimony was incisive and helpful.

For Senators who wish to submit questions for the record, those questions are due 1 week from today, on April 27th. For witnesses, we ask you within 45 days to respond to any of these written questions. Thank you again.

With that, the hearing is adjourned.

[Whereupon, at 12 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

For years, the work of the Committee on Banking, Housing, and Urban Affairs has been far too much about Wall Street, far too little about housing, and almost nothing about people's everyday lives in urban and rural communities.

"Urban Affairs" may be in our Committee's title, but we have jurisdiction over matters integral to the economic health and vibrancy of all communities—including rural America. Whether you live in Philadelphia or Cleveland, Perry County, Pennsylvania, or Perry County, Ohio—the work of this Committee is vital to the shared prosperity of all Americans, urban and rural.

This is the first Full Committee hearing dedicated to rural America in nearly a decade. Senator Toomey held a subcommittee hearing on rural banking in 2015 and I thank him for that. I'm sure he will agree that it has been too long since we focused on the issues facing rural America.

The hopes and dreams of all Americans are pretty similar. We want a job with dignity and to be valued for the work we do. We want a community where our families can grow and flourish. And we want the opportunity to join with friends, family, and neighbors to leave the world better than we found it.

The 46 million people who live in rural communities share these dreams, and they reflect the vibrant diversity of our country.

From the foothills of Appalachia in Pennsylvania and Ohio, to Native American tribal lands on the Great Plains; from Black communities in the Deep South, to Hispanic and Asian communities in the West, we find resilient, hard-working men and women trying to make a better life for themselves, their families, and their communities.

I know the pride people have in their hometowns—like I have in my hometown of Mansfield, Ohio. They want these places to be successful. They don't want to be told to pick up and leave to find better opportunities.

Crumbling infrastructure, high unemployment rates, low wages, and gaps in access to banking, housing, and transit make rural areas especially vulnerable in an economic downturn.

Workers and families and community leaders pour their hearts and their resources into their communities, trying to preserve their legacies and grow new businesses and attract new investment.

But these same communities have watched for decades as investment dried up, plants were shuttered, and storefronts were boarded over. University economists, CEOs, and conservative Washington politicians make public pronouncements about capitalism's "creative destruction"—dismissing workers' anger, informing us that these actions are the inevitable result of free and unfettered markets.

Corporations close down factories, and move good-paying union jobs abroad where they can pay lower wages and exploit workers. Ohio workers from Bucyrus to Lordstown know what this does to communities.

Big corporate agriculture has made it harder for small family farms to compete. Local, independent businesses close shop because they can't compete with Amazon.

Big banks buy up their smaller competition and then close local branches, leaving communities 30, 40, even 50 miles from a place to deposit a check or build crucial relationships at their bank.

The banks claim people can just use online banking—but that doesn't help if your community doesn't even have reliable broadband.

As the banking sector gets more concentrated, it's harder for small businesses, farms, and families to get loans to hire more workers or expand their operation or to buy a home.

The biggest banks and the largest corporations only look at quarterly profits, without considering the long-term economic impact on these communities and small businesses.

And despite the simplistic picture we often see in the national media, these communities are not only made up of people who look like me. Rural America is as diverse and culturally vibrant as the rest of the country. But centuries of violence and displacement and structural racism have pushed rural communities of color even further behind.

Native communities have some of the highest levels of poverty and many families suffer from overcrowded housing without plumbing or heat. The same is true for Black families and farmers that have faced decades of discrimination, including lending discrimination.

Many rural families of all backgrounds don't have a safe, affordable home. And if there isn't affordable housing, communities can't attract new business because there's nowhere for workers to live.

Last month, I was talking to the CEO of a credit union in southeast Ohio who knows the housing needs in his Appalachian community, and wanted to do something about it. He meets lots of well-qualified families who could pay a mortgage, but just can't afford a 20 percent downpayment. So his credit union created a new mortgage program for members of his community to have a pathway to home ownership.

That's the kind of ingenuity we see all over the country from leaders who actually live in and understand these places. And we can learn from them.

Our witnesses today know what it means for the local economy when the big banks abandon rural towns, or when a big-box chain store forces out small businesses. They know how working low-wage jobs makes it impossible to make the rent, let alone save for a downpayment.

They know that homegrown, local businesses understand what their communities need.

Anyone who's raised a family or started a business in Appalachia or Indian Country or the Carson Valley knows these places can't rely on Wall Street banks and corporations to help them out.

People in rural towns and counties remember how the biggest firms recovered after the last financial crisis, while they were left behind. And they saw history repeat itself over the past year—when big franchises got help from big banks, small businesses went to the back of the line, and Black and Hispanic businesses were far less likely than White-owned businesses to get loans at all.

Over and over, I hear the same thing from communities large and small, rural and urban: they need more resources. They've tried to make it on their own because they have to—not because they don't want investment, or don't want their fair share of our country's prosperity.

To recover from this crisis and rebuild a stronger economy, rural communities need direct investment in infrastructure and economic development.

We've made a good start with the American Rescue Plan. Now we can look forward to the American Jobs Plan to help us invest in our rural communities for the long term.

We will invest in broadband and rural buses and affordable housing and the next generation of American manufacturing. We will invest in new energy technology to address climate change and create good paying jobs in communities of all sizes.

If we make these investments, these local communities will be strong and resilient in the face of the extreme weather events—like wildfires, flooding, and hurricanes—that threaten our rural communities more and more each day.

When we put communities, not corporations, at the center of our policy—when we invest in local people and businesses who make up our rural communities—we will get an economy that works for everyone.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Thank you, Chairman Brown. What we have here are two competing visions for how to help rural America.

One vision is that we should implement policies that allow rural areas to thrive. We know Americans can succeed if we give them a chance. Our recent U.S. energy renaissance shows this. It's been game changer for many rural communities.

Another vision—shared by some Democrats—is to provide Government welfare to these communities. They do it through different vehicles, but at the end of the day, it's welfare.

My home State of Pennsylvania has a lot of rural areas. Some struggle, some thrive, but I don't know any that want to be long-term dependents of the Government. Our goal should be thriving communities of self-reliant people.

As we consider the state of the rural economy, it's important to remember where we were a little over a year ago. Before COVID, we were experiencing an economic boom. We had the lowest unemployment rate in 50 years. In rural America, unemployment dropped to 3.5 percent in 2019—its lowest level in a decade. Nationally, including in rural America, Black and Hispanic unemployment rates hit all-time lows in 2019.

We had more jobs than people looking for work, a record low poverty rate, wage growth across the board with wages growing fastest for the lowest income earners, and ultimately a narrowing of the income gap. These are all objectives that Democrats support, and that we had achieved. All of this was spurred on by the steps Republicans took to reform our tax code and roll back excessive regulations.

An important part of that strong economy was America's energy renaissance. In 2019, the U.S. became a net energy exporter for first time since 1952. We did it in part by becoming the third-largest exporter of liquefied natural gas. As gas replaced coal as the fuel for America's power plants, CO_2 emissions actually declined. In fact, in 2019, the U.S. led the world in reducing energy-related CO_2 emissions.

Across the country, the oil and gas industry has supported more than 10 million jobs, often in rural communities. In Pennsylvania—which is the second-largest producer of natural gas—the oil and gas industry has supported 300,000 jobs up and down the supply chain. A majority of gas production in Pennsylvania occurs in rural areas, like Susquehanna County. It's our largest natural gas producing county and one of our least densely populated counties.

Last March, our strong economy was roiled by COVID–19. We were facing the very real threat of a full-blown depression. In 2020, a bipartisan Congress helped to prevent that from happening by providing almost $4 trillion in relief.

Fortunately, our economy is now in full recovery mode, and has been for months. The unemployment rate has dropped from almost 15 percent last April to 6 percent this March. Twenty-three States have unemployment rates at or below 5 percent—many of them are rural States. Real GDP growth is expected to be extremely strong this year.

We should continue to have a robust economic recovery, unless the Federal Government undermines it. Unfortunately, that's exactly what Democratic policies are threatening to do. For example, the Democrat spending bill pays people more not to work than to work, so it's little surprise that in March's NFIB monthly survey, 42 percent of small businesses had job openings they could not fill—a record high.

The Biden administration has also proposed massive tax increases and imposed burdensome regulatory policies. All of these policies will harm workers and slow economic growth. But some Biden administration policies will hit rural America particularly hard—some already have. For example, President Biden has terminated construction of the Keystone XL oil pipeline and indefinitely banned new oil and gas leases on Federal lands. The Biden administration is also seeking to coerce banks and investors to stop lending to fossil fuel companies and stifling U.S. agricultural exports by maintaining tariffs on Chinese goods and materials.

Today, we will hear from two witnesses about the harm caused by these attacks on the energy industry, particularly in rural communities.

Kathleen Sgamma is the President of the Western Energy Alliance. She will testify that these policies cause significant job losses. For example, President Biden's termination of the Keystone XL pipeline, according to the pipeline's developer, caused more 1,000 union workers to immediately lose their jobs, and ended a project that was expected to employ more than 11,000 Americans in 2021—the majority of them union workers—and create $1.6 billion in wages. By the end President Biden's first term, his ban on new oil and gas leases on Federal land—according to one study—would destroy an average of 58,676 jobs annually.

Senator Affie Ellis is a member of the Wyoming Senate. Her State ranks first in the Nation for natural gas production on Federal lands and second in oil production on Federal lands. She will describe how the leasing ban harms Wyoming's economy and education budget, which receives substantial funding from Federal energy royalties.

I wish I understood why Democrats are so determined to prevent us from getting back to the best economy my lifetime. Instead of wasting more taxpayer dollars, imposing massive tax hikes, and increasing regulatory burdens on businesses, we should be rolling back the harmful Biden administration policies that are threatening the U.S. energy renaissance, which has done so much good for the rural economy.

PREPARED STATEMENT OF WILLIAM J. (BILL) BYNUM

CHIEF EXECUTIVE OFFICER, HOPE ENTERPRISE CORPORATION, HOPE CREDIT UNION, HOPE POLICY INSTITUTE

APRIL 20, 2021

Testimony of William J. (Bill) Bynum
Hope Enterprise Corporation / Hope Credit Union / Hope Policy Institute

Before the United States Senate Committee on Banking, Housing and Urban Affairs

"An Economy that Works For Everyone: Investing in Rural Communities"

April 20, 2021

HOPE, (Hope Enterprise Corporation / Hope Credit Union / Hope Policy Institute) is a Black- and Women owned credit union, a nonprofit loan fund, and a policy and advocacy organization. HOPE is also a certified Community Development Financial Institution (CDFI) serving Alabama, Arkansas, Louisiana, Mississippi and Tennessee – a region that is home to more than a third of the nation's persistent poverty counties, most of which are rural. Of HOPE's 23 branches, 7 (30%) are located in rural, persistently poor counties.

HOPE was established to ensure that all people regardless of where they live, their gender, race or place of birth have the opportunity to support their families and realize the American Dream. Since 1994, HOPE has generated over $2.9 billion in financing that has benefitted more than 1.7 million people. From the New Markets Tax Credit, to Hurricane Katrina, the Great Recession/Housing Crisis and COVID-19, for over a quarter century HOPE has worked closely with government and bank officials to forge policy and programmatic responses to the challenges facing historically underserved people and places.

HOPE works to increase access to affordable financial services for communities that are often underserved and over-looked. Of HOPE's 35,000 credit union members, sixty-nine percent (69%) have household incomes below $45,000 and eight out of 10 are people of color. Our branches are located in areas with less public, private and philanthropic investment, with 86% in counties where the majority of the residents are Black. One-third of our branches are located in counties that have been in deep poverty for more than three decades, and one out of five are in located in towns situated in the Mississippi Delta, three of which have no other depository institution.

People, when afforded opportunity and access to the right tools, will climb the economic ladder. Yet many of our members live in communities entrenched in poverty. They lack critical infrastructure such as quality schools, grocery stores, broadband, and affordable housing, and the financial tools necessary to obtain these economic mobility-enhancing assets. These needs have been neglected for generations, as reflected by the region's acute and persistent poverty.

Prior to COVI9-19, Deep South communities were already dealing with the pre-existing crises of racial and economic inequality. The current triple threat of the health, economic and social justice crises is the convergence of centuries of policies and practices that have extracted, discriminated and under invested in Deep South people and communities. As the nation seeks to recover from COVID-19, Deep South communities, especially communities of color, are now even more precariously situated on the brink of economic and social devastation. Policy decisions made today have the opportunity to break, rather than repeat this cycle of inequity.

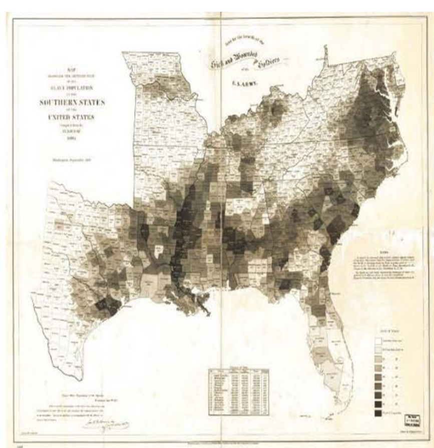
In my testimony today, I provide a context of the depths of disparities and under-investments in the Deep South, while also highlighting solutions that we know will work:

1. Increase investments into CDFIs with a track record of reaching underserved communities and those hit hardest by COVID-19,
2. Close opportunity gaps in bank lending, service, and investment in underserved communities,
3. Deploy funds in way that accounts for existing racial and economic disparities,
4. Build and preserve wealth in rural communities, particularly communities of color, through homeownership and small business ownership, and
5. Strengthen consumer protections that prevent wealth stripping and build assets.

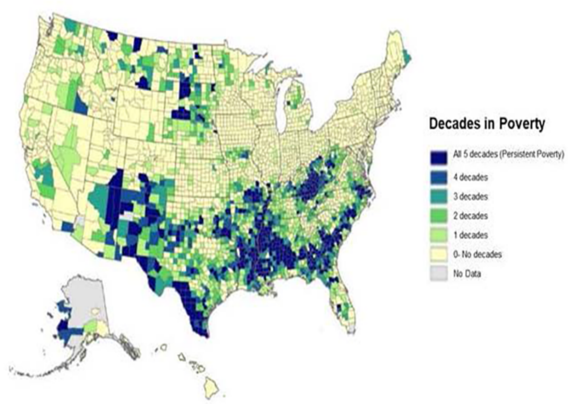
Rural Regions Of Persistent Poverty Suffer From Systemic Underinvestment, Particularly The Regions That Are Home To Populations Where The Majority Of People Are People Of Color

Records from the U.S. Census Bureau in 1860 shows slave holding was most concentrated in the Mississippi, Arkansas and Louisiana Delta and the Black Belt counties of the Southeast. The map remains relevant today when placing it in alongside a map that examines the length of time over which counties have had a poverty rate of over 20% - a common indicator of economic distress used to determine eligibility for federal funding (Maps 1 and 2).

Map 1: Slave Population of the Southern States of the United States (1860)



Map 2: Counties with Poverty Rates over 20% by Number of Consecutive Decades



Source: Rural Policy Research Institute; Center for Applied Research & Environmental Studies

Persistent poverty is predominantly rural. Of the country's 395 persistent poverty counties, where the rate of poverty has exceeded 20% for thirty years in a row, eight out of ten are non-metro. Analysis by the Housing Assistance Council found that "86 percent of persistent poverty counties have entirely rural populations."[1] Persistent poverty counties are also home to a diverse cross-section of people.[2] In fact, the majority (60%) of people living in these places are people of color. Four out of ten persistent poverty counties are places where the majority of people who reside in the counties are people of color.

Due to a long history of exclusionary and extractive policies by race and place, persistently poverty areas experience other challenges as well. At least one-third have unemployment rates over 1.5 times the national average.[3] Additionally, a "health related drinking violation" occurred in approximately 42% of the counties – nearly five percentage points higher than the rate nationally.[4] Eighty-one percent (81%) of persistent poverty counties are in the bottom quartile of counties in terms of health outcomes.[5]

This underinvestment is also reflected in the banking system as well. Much of the Deep South is considered a banking desert. For example, of the 20 largest banks in the Southeast, analysis conducted by the Federal Reserve Bank of Atlanta, found that only one bank has branches in the Mississippi Delta.[6] In the absence of branches, large bank Community Reinvestment Act assessment areas fail to reach into rural communities – limiting another source of capital for redevelopment.[7] As currently structured, absent a physical local in the community, a bank has no obligation to lend or invest there. This means communities in banking deserts, such as those in the Deep South, have harder time attracting the resources needed to finance community needs such as affordable housing, hospitals, museums, or other job-creating activities. Analysis conducted by the Opportunity Finance Network underscores this phenomenon with Community Development Financial Institutions. In looking specifically at rural Community Development Financial Institutions (CDFIs), only 31 cents of every dollar borrowed by rural

CDFIs came from a bank. In contrast, over half of borrowed funds from urban CDFIs came from banks.[8] Rural communities also bear the heaviest burden of bank closures and within rural communities those bank closures are most likely to occur in communities with a higher share of Black residents.[9]

One natural consequence of this trend is that the Deep South is home to the highest rates of unbanked households in the country. Even though nationally, the unbanked rate is the lowest it has been since the Great Recession (5%), for Black households in Mississippi and Louisiana, the rate is over 20%.[10] Likewise, for rural communities, the Deep South rate is higher than rates nationally (Table 1). Notably, over 40% of the population in Louisiana and Mississippi's rural counties are people of color. [11]

Table 1: 2019 Unbanked Rates for Louisiana and Mississippi, by Race and Rural Households

	White Households	Black Households	Rural Households
Louisiana	3.5%	24%	16.7%
Mississippi	5.5%	21%	12.6%
U.S.	2.5%	13.8%	6.2%
Source: 2019 FDIC Survey: Household Use of Banking and Financial Services			

For rural communities, particularly communities of color, the dearth of financial institutions presents a significant barrier to economic opportunity. Three-quarters of the 158 counties nationwide that have household unbanked/underbanked rates at 1.5 times the national average are persistent poverty counties.[12]

These communities face not just an absence financial capital, but also contend with predatory lending practices. Payday and car title lenders extract over $1.6 billion in fees annually from Deep South residents trapped in loans with annual interest rates region as high as 500%.[13] Rent-a-bank arrangements in which online lenders partner with out-of-state banks to subvert state consumer protection laws to make high-cost loans in the region also impose high costs on the region's residents.[14]

In addition to the weight of predatory lending, rural Deep South communities are shouldering the weight of massive debt burdens accumulated by simply trying to make ends meet. In a recent survey of HOPE members, nearly 1 in 4 (23%) said their biggest worry every day is the amount of debt that they owe. This debt includes medical debt, student loan debt, and debt incurred through interactions with the criminal justice system. Due to a range of policy decisions affecting employment, health care access, education access, mass incarceration among others, each of these debt burdens fall disproportionately on Black communities in the Deep South.

All of the conditions outlined above existed prior to the outbreak of COVID-19, and are now compounded by mounting back payments owed for utility, rent, and mortgage payments paused during the pandemic. Due to the long-lasting damage on credit scores, as well as the resulting psychological stress, addressing these burdens is necessary to pave the way for an economic recovery in the region.

Rural People and Places most Economically Vulnerable Prior to the Pandemic, were Most Heavily Impacted by it, and Most Likely to Be Passed over by Relief Measures

Prior to the pandemic, the Deep South was home to some of the highest rates of liquid asset poverty in the country, meaning the households did not have the resources to manage an unexpected income loss. The percentage of Deep South families without the cushion to weather a financial emergency is greater than the national average, and the racial disparities are striking. Over 60% of Black and Latino, families are liquid asset poor compared to 40% of white families.[15]

The most economically fragile households prior to the economic shock of COVID-19 were the ones most impacted by it. In the late summer of 2020, in each of HOPE's Deep South states, over 50% of Black households had experienced a loss of employment income.[16] For Latino households, 70% in Arkansas and nearly 90% in Mississippi had experienced such a loss since the start of the pandemic.[17]

The unemployment rates have not abated either, particularly for Black and Latino workers in the Deep South. As of January 2021, more than 4.1 million people had filed for unemployment since the start of the pandemic.[18] By comparison, throughout the duration of the Great Recession, the Deep South lost half a million jobs.[19] Even though Black unemployment rates in the region had largely returned to pre-pandemic levels, the disparities were still quite vast and the post-recession gains have been wiped away by the pandemic. As of February 2021, Mississippi, Tennessee, and Louisiana had a nearly 12% Black unemployment rate.[20]

These dramatic losses of jobs and employment related income are intertwined with the pandemic's devastating impact on Black-owned businesses and the extent to which they were left out of COVID-relief efforts. [21] Nationally, between February and April 2020, more than 41% of Black-owned businesses closed, compared to 17% of white owned businesses.[22] Due to historic disparities in access to capital to grow and sustain their businesses, Black and Latino owned business, just like the people in their communities, had far less of a cushion to withstand the economic shock.[23]

The national research squared with HOPE's own experience working with small business owners in distress. Through Rounds I and II of the Small Business Administration Paycheck Protection Program (PPP), HOPE approved 2,896 PPP loans. In a survey of HOPE's PPP borrowers, while 64% overall said they were unprepared for the pandemic, for Black businesses it was over 71% compared to 47% for white-owned businesses.[24]

Despite the pre-existing financial fragility and the disproportionate economic impact on businesses of color, federal and state relief programs have consistently not been structured to provide equitable access to recovery resources. As one example, within the PPP program, microbusinesses in which the owner is the sole employee were literally not eligible to access the PPP program for the first seven days of the program as billions of dollars were deployed. In the Deep South, 96% of Black and Latino-owned business fell into this category of businesses, as did 84% of white businesses.[25]

Similar inequities occurred in the deployment of CARES Act funded state-level relief efforts to support small businesses and local governments in the Deep South. In Tennessee's Small Business Relief Program, which provided direct payments to designated businesses, 90% of the relief funds went to white-owned businesses in the state.[26] In Mississippi, despite efforts by the state legislature to create a $40 million, 60-day priority set-aside for minority and women-owned businesses, the state only deployed $2 million in the designated time frame.[27] In terms of relief efforts to local governments, in each of the five Deep South states, states distributed aid from the CARES Act Coronavirus Relief Fund to local governments on a reimbursement basis only. This reimbursement mechanism was not required by the CARES Act. As discussed further herein, it led to significant disparities in access to the money, particularly for communities in the Black Belt and Delta regions, even as they experienced the greatest impact of COVID-19.

The Great Recession provides important lessons about the trajectory of recovery for this crisis. The three Delta states in our region – Arkansas, Mississippi, and Louisiana – took significantly longer to recover than the US as a whole.[28] Mississippi, for example, did not reach its re-precession job levels until a decade later, in October 2019.

This structural gap in financial infrastructure is a necessary foundational understanding for the existence of gaps and inequities in the region. It must also be accounted for when contemplating the flow of future investments in the region, both in terms of whether financial institutions are even present to help disburse them and in terms of what other investments are needed to make up for their absence. Policy decisions made today have the chance to create a different, shorter, more inclusive recovery from this crisis.

For Rural America to Prosper, Strategies for Full Recovery Must Reach Deep South Communities of Color

In light of the history of our region, the resiliency of the people who live here, and the disparate impact of COVID-19, the following section outlines solutions to ensure necessary resources reach the most-economically distressed regions of the country.

<u>1. Increase investments into Community Development Financial Institutions (CDFIs) with a track record of reaching underserved communities and those hit hardest by COVID-19</u>

As the U.S. Treasury moves to deploy an unprecedented $9 billion in funding through the Emergency Capital Investment Program, $3 billion for CDFI rapid response and new levels of New Market Tax Credit allocation in each of the next five years, the agency must put safeguards in place so as not to perpetuate existing disparities within the CDFI sector. Partnership with CDFIs with long track records of reaching underserved communities and communities of color will ensure the resources reach people and places most in need.

CDFIs, long on the front lines of meeting the financial needs of underserved communities, continue to serve as important drivers of economic mobility in rural economies and among people of color. For decades, CDFIs in some of the most economically distressed regions of the country have been addressing the employment and housing, banking and infrastructure needs of local people and places. They also model solutions that work and can be brought to scale with either increased investment or replication by other actors in the financial system.

Despite evidence of success by CDFIs located in and reaching the most economically distressed communities, resources lag in comparison to other CDFIs. For example, even though minority-led CDFIs have performed better in reaching minority communities, which often have the greatest need for financial serves, these CDFIs have historically had the least amount of resources to do this work. Over the last 15 years, white-led CDFIs have had a median asset size twice that of minority-led CDFIs. In some years, it has been three times as high.[29]

While CDFIs are mandated to serve low-income communities, this alone has not been sufficient to ensure CDFI lending reaches into communities of color. Stark examples of this deficiency are evident in Mississippi, where so much of the state qualifies geographically as low-income, and nearly 40% of Mississippi's population is Black. Using 2019 HMDA mortgage lending data, HOPE found that among the 27 CDFI banks in Mississippi engaged in mortgage lending in the state, 71% of mortgage loans went to white borrowers while only 13% went to Black borrowers.[30] This is lower than the statewide rate of mortgage originations in 2019 to Black borrowers at 17%. By contrast, Hope Credit Union made 83% of its mortgage loans to Black borrowers.[31] Similarly in Louisiana, collectively all 14 CDFI Banks reporting HMDA information made 15% of their mortgage loans to Black borrowers in 2019. [32] However, when Liberty Bank, a minority depository institution which made 76% of its mortgage loans to Black borrowers, is excluded from the analysis, the percentage of mortgage loans to Black borrowers by CDFI Banks in Louisiana drops to 9%.

Another significant example includes the New Market Tax Credit (NMTC) program which must improve its track record of working with minority-led or minority-controlled community development entities (CDEs), and funding projects in rural, persistently poor communities. Since the launch of the NMTC program in 2003, HOPE has had the opportunity to invest $212 million in NMTC financing in the communities we serve, often with outcomes contrasting the program as whole. Putting a finer point on the need for more equitable distribution into rural, poor communities, between 2003 and 2017, 65% of NMTC allocations in persistent poverty areas have been concentrated in six urban communities.[33] By contrast, just 5% of NMTC allocations during this time have been invested in rural persistent poverty counties.

The outcomes of which communities benefit from NMTC investments are shaped in many ways by the development entities that receive the allocations and make decisions about which projects to fund. As one example, the percentage of NMTC allocations going to minority-owned or minority-controlled CDEs shows great need for improvement. From 2012 to 2019, the percentage in terms of dollar amount of allocations provided to minority CDEs, has ranged from 5% in 2014 to a peak of 16% in 2017.[34] To put these numbers in context, in 2017, minority CDEs received $576 million dollars while white-led CDEs received over $3 billion.

As urged by the African American Alliance of CDFI CEOs, HOPE, and others, the CDFI Fund must take concrete steps to increase funds to minority-controlled CDEs as it moves to deploy historic funding levels of NMTC allocations – $5 billion for each of the next 5 years.[35]

2. Close opportunity gaps in bank lending, service, and investment in underserved communities

Traditional banks by far have the greatest ability to invest in ways that close the financial services gap, both directly and through investment in CDFIs.[36] One mechanism to facilitate increased investment in underserved markets by mainstream banks is the Community Reinvestment Act (CRA), both in providing banking services to individuals as well as financing for things like affordable housing and economic development in low-income communities. At the same time, the CRA has its limits. If a bank has no physical presence in a region, then it is not held accountable for reinvesting there. As a result, entire regions, such as rural communities in and outside of the Deep South, often lie out of reach of the CRA's incentives. Another limitation, as currently structured, is that the CRA does not reach its full potential in the incorporation of race in its evaluation of bank performance; even though it was enacted to address banks' racially, discriminatory redlining practices. Currently, more than 98% of banks pass their CRA exam, despite the glaring racial and economic inequities in the banking system.

The CRA should be significantly strengthened to increase bank lending, services and investment – as much as three fold – in low-income communities and communities of color. In addition to increasing the amount of bank activity, a reformed CRA must also ensure these investments actually reach people and communities that have both been historically underserved and divested of their resources.

Some ways the CRA could be strengthened include:

- Create assessment areas beyond the physical location of bank branches. This is particularly important in regions like the Deep South and other rural persistent poverty areas lacking large bank branches. These additional assessment areas should be drawn based on a mix of lending **and** deposit activity.
- Allow banks to receive CRA credit for community development investments outside of their assessment areas, as long as the investments are targeted enough to ensure these investments reach economically distressed communities and communities of color.
- Investments in CDFIs and Minority Depository Institutions (MDI) serving persistent poverty areas, communities of color, and designated areas of need should be meaningful and prioritized. Meaningful investments include equity investments and secondary capital. Prioritization of areas should be drawn based on low-levels of lending activities in certain communities. CDFIs and MDIs that also meet the definition of "minority lending institution" as defined by the Consolidated Appropriations Act of 2021 should be prioritized.[37]
- Ensure greater accountability for small banks, particularly those serving rural areas.

More detailed recommendations on how the CRA can and should be strengthened to reach rural persistent poverty communities are included HOPE's comments and those of the Partners for Rural Transformation to the Federal Reserve.[38]

3. Deploy funds in way that accounts for existing racial and economic disparities

Deployment of CARES Act funds, ranging from small business relief aid through the Paycheck Protection Program, or the deployment of state-level Coronavirus Relief Funds to local governments, provide case studies in ways in which COVID-relief funds repeated and reflected existing disparities in our region. As policy makers seek to deploy significant resources from the American Rescue Plan, or future infrastructure spending, it is critical to deploy funds though equitable means which close gaps.

As HOPE has engaged in pandemic recovery activities, specifically through the Small Business Administration Paycheck Protection Program and the CARES Act, the organization has found itself on the front line of using its capacity to ensure a more equitable distribution of the relief funds to communities otherwise unable to access it. Lessons learned from working with both programs are outlined below.

Small Business Administration Paycheck Protection Program

In the midst of the COVID-19 pandemic, the importance of CDFIs with a track record of serving communities hardest hit by this crisis is clear.[39] For example, in 2020, CDFIs in Mississippi and Louisiana made seven times more small PPP loans (under $150,000) than the five largest banks, combined.[40]

As just one example, HOPE's experience as an MDI and Black-led CDFI deeply involved in PPP demonstrates the importance of having such entities resourced at meaningful levels to service businesses owned by people of color. Between April 2020 and April 2021, HOPE has funded 4,000 PPP loans in the South, deploying over $110 million in forgivable loans and supporting over 12,600 jobs. Nearly 60% – $64 million – flowed to Southern counties where the majority of residents are people of color, with a median loan amount of $14,200. Of our PPP lending in rural communities, over 60% of the volume went to communities of color. One-third of HOPE's PPP loan volume flowed to persistent poverty counties.

On numerous occasions, HOPE was contacted by Black-owned businesses and rural nonprofit organizations that had approached mainstream financial institutions offering PPP loans only to learn that they would not be served. For example, a Boys and Girls Club in a rural, persistent poverty county in Alabama found itself in the position on having to lay off 13 employees in response to the first shut down in 2020. As Round I of PPP rolled out, the organization put in an application with a large bank –which did not respond to the application. The Boys and Girls Club then went to a local community bank to apply for assistance. The bank, one of only three in the community, shared that it would not help any organizations with which it did not have an existing relationship. HOPE ultimately funded the loan and the employees were able to be retained.

These stories were a constant narrative during our PPP lending process, an extension of a banking system that has historically failed to serve communities of color and low-income communities with the same attention as others.

In a December 2020 survey of HOPE's PPP borrowers, more than one in three borrowers (36%) decided to take a PPP loan with HOPE because they lacked another option or were declined by another bank. In the words of one member, "At one bank, 'I got the run around and [they] told me I had to reapply. They "blew me off.'"[41]

Even with access to the program, many HOPE borrowers still did not receive full its full benefits. One significant barrier was the use of net profit/loss, rather than gross income, to underwrite loans to small businesses that use Schedule C. This resulted in artificially low PPP loan amounts for small businesses in our region. HOPE is thankful for the recent solution enacted by the Small Business Administration to allow PPP borrowers whose funds are funded after March 3, 2020 to utilize gross income and thus benefit from larger PPP loan amounts.[42] However, inequity persists. In the December 2020, Consolidate Appropriations Act, Congress made such as change retroactive for certain ranchers and farmers, but not for other small businesses.[43] The lack of parallel retroactivity for borrowers' like HOPE's – small business of color in the Deep South – disparities in access to necessary relief funds remain and will reverberate for years. About half – over 1,300 of our 2020 PPP portfolio were independent contractors, sole proprietors, or gig workers – so very likely Schedule C borrowers. Many had loans well under $10,000. Currently, HOPE is receiving several calls a week from borrowers who received a 2020 PPP loan or a fully funded loan this year before March 3 is asking to see if they can benefit from the Schedule C solution, and we have to tell them they cannot. As just one example, for a 2020 borrower last year who recently called, if she had been able to use gross income, it would have increased her loan by $10,000. This experience also provides an important lesson for future efforts: to ensure the smallest businesses have full and fair access to future investments, and that gaps in this program underscore the need for more support for those underserved by it.

The PPP served as a lifeline for many of HOPE's PPP borrowers with 50% saying they would have 'closed down' without assistance.[44] One borrower predicted what might have happened if he had not received a PPP loan: "[I] probably would be put out of business, would not have been able to catch up with rent. I would probably be homeless as well." The significance of the PPP funds to the businesses that received assistance underscores the importance of supporting the future needs of those who could not access it, as well as those that did not receive the full benefits of it due to its structural design flaws.

Coronavirus Relief Aid to Local Governments in the Deep South

The challenges encountered in the deployment of state-level CARES Act Funds serve as important lessons learned, both for structuring programs in a more effective way in the future and underscoring why rural persistent poverty areas, particularly communities of color, still need more resources to recover from COVID-19. They are also particularly critical in the context of the trillions of dollars allocated for recovery, for government agencies charged with the distribution of funds, to understand the realities of small, rural communities to ensure the funds are actually accessible.

The programs created for the Deep South states for local governments were based on a reimbursement model which made the funds difficult to access. As a result, small, rural towns in low-income communities, such as those in the Delta regions of Louisiana and Mississippi, and the Alabama Black Belt without pre-existing resources to purchase personal protective equipment (PPE) and other pandemic-related response items were most affected.

In a recent analysis, the Hope Policy Institute reviewed the monies deployed to local governments in Louisiana through this reimbursement model. It shows vast racial disparities in poor rural parishes. Majority people of color parishes that are also rural and areas of persistent poverty received only a third (31%) of the funding allocated, where as their white counterparts received 74% (Table 2).[45] In dollar amounts, rural, persistent poverty, majority people of color parishes only received 6.9% of similarly situated white counties.

Table 2: Percent of CARES Act Local Government Relief by Amount Received Compared to Amount Allocated and Requested by Persistent Poverty and Rural Parishes, by Race

	Original Allocation as of 10/1/2020	Total Received	Amount Requested	% of Total Allocation Received	% of Amount Requested Received
Persistent Poverty, Rural, Majority People of Color Parishes (5)	$8,344,651	$2,601,911	$8,132,962	31%	32%
Persistent Poverty, Rural, White Parishes (17)	$50,100,563	$37,982,677	$51,993,230	74%	73%
Source: Hope Policy Institute and Power Coalition for Equity and Justice, "Racial Inequities in the Distribution of Louisiana's Coronavirus Relief Funds: A Report for Community Leaders"					

Local governments in the Alabama Black Belt faced similar challenges in accessing funds through this reimbursement model. This became a nearly insurmountable barrier for economically distressed cities and towns in the Black Belt, which were also hard hit by COVID-19. HOPE and the Black Belt Community Foundation overcame this barrier by setting up a revolving loan program, where the Foundation advanced the towns up to $50,000, which was then repaid when the towns were reimbursed by the state. Through this partnership, HOPE and the Black Belt Community Foundation, with the support of philanthropic partners, channeled $1 million to 23 Black Belt communities. In one town, the relief made available through this structure ($24,000) accounted for half its town budget, an amount that would have been impossible to outlay for the purposes of seeking reimbursement. Even with this model in place, eligible towns still did not receive all that was needed.

The experience and challenge of small towns accessing relief dollars through reimbursement requires reconsideration. While states were not required to make these funds available on a reimbursement basis, many chose to run the programs in this manner creating barriers for the least resourced communities.

<u>4. Build and preserve wealth in rural communities, particularly communities of color, through homeownership and small business ownership</u>

Homeownership

The vestiges of historic patterns of discrimination and the work that still remains to ensure fair housing opportunities are evident in the homeownership gaps between Black and white households in the Deep South. Disparities persist at every stage: originations, denials, pricing, and foreclosures. In 2019, the percent of loan originations for Black borrowers in Deep South states substantially trailed the percent of population represented. In Mississippi, Black borrowers earning over $150,0000 experience a denial rate (34%) that is higher than for white borrowers earning between $31,000 and $50,0000 (21%).[46]

In addition to fair lending concerns, there are particularly unique challenges in serving rural communities. These not new, but ones consistently that have consistently plagued our region. Challenges in the market include the need for small mortgage loans, overcoming barriers of student loan debt, people with thin credit or no credit files, the need for downpayment assistance, and tools to preserve homeownership among those already owning a home. These challenges are further exacerbated by the disconnect between the products and requirements of the GSEs and the needs of our communities; one example includes ongoing difficulty obtaining appraisals that meet GSE requirements, thus depriving potential homeowners of the benefits of the capital that other communities can access.

HOPE fills these gaps and meets these challenges through products and practices designed to meet the needs of our borrowers and communities. These approaches include manually underwriting loans, considering nontraditional indicators of credit repayment history, and discounting deferred student debt. In addition, we offer a 100% loan-to-value product, as many low-wage earners have the cash flow for a monthly mortgage payment, but lack the ability to save for a down payment. Between 2007 and 2017, HOPE's overall portfolio grew by more than 600%, with the percentage of loans made to borrowers of color increasing from 55% in 2007 to 81% in 2017, with a loss rate of only 0.26%. HOPE's current mortgage portfolio is majority people of color, primarily Black borrowers. In 2020, 86% of HOPEs mortgage loans went to minority borrowers and 83% were to first time homebuyers.

One of the strategies for advancing homeownership among people of color includes down payment assistance programs. Between 2019 and 2020, through a NeighborWorks funded down payment assistance program conducted in partnership with Wells Fargo, called NeighborhoodLIFT, HOPE provided down payment grants of up to $10,000 to 257 Mississippians, a quarter of which were in rural communities. Expansion in the availability of down payment assistance would significantly increase access to homeownership in rural persistent poverty communities and communities of color.

The pandemic has taken a toll on HOPE's homeowners. Since the beginning of the pandemic, over a quarter of HOPE's mortgage loan portfolio was placed in forbearance at some point. For context, in June 2020, the national rate of mortgages in forbearance was 8.55%.[47] As of March 31, 2021, 13.6% of HOPE's mortgage borrower are in forbearance or deferment, a sign of the continued economic struggles. While HOPE's borrowers are in forbearance and deferment, HOPE continues to make escrow payments on borrowers' behalf. In the coming months, this will create worry both for borrowers and lenders, as forbearance periods end and as borrowers still struggle to make ends meet. When payments resume, spreading out the deferred payments and the escrow may lead to increased monthly payments. Whether the region, the industry, and mortgage borrowers are able to transition with the necessary resources and support will have significant impacts on the perseveration or loss of Black homeownership.

As the U.S. Treasury deploys Homeownership Assistance Funds to the states, and the CDFI Fund deploys its Rapid Response Program and Emergency Capital Investment Program, steps must be taken to ensure resources reach the households hardest hit by the pandemic and the financial institutions that serve them. Failure to do so may lead to a repeat of the harms of the Great Recession, which not only resulted in the loss of billions of dollars of wealth from Black households and communities of color, but also in the decline of minority-led financial institutions most closely tied to these communities.[48] At the same time, as efforts are underway to support existing homeowners, significant new resources, such as down payment assistance, must advance Black homeownership and homeownership in rural persistent poverty communities.

Small Business Ownership

The challenges faced by small businesses accessing capital are present generally among small business in our region. In Arkansas, for example, from 2017 to 2020, just 1.5% in SBA 7(a) loans went to Black businesses, even though Black-owned businesses comprise 9% of businesses in the state.[49] Notably, over 60% of Black-owned businesses in Arkansas are owned by women, and are primarily located in lower-income areas.[50] A 2019 outlines disparities in Arkansas minority entrepreneurs' experiences in access to capital (Table 3).[51]

Table 3: Access to Capital for Minority Owners in Arkansas

	Minority Entrepreneurs	White Entrepreneurs
Reliance on Personal Funds to Start Businesses	74%	57%
Denied for a Loan in Past 3 years	78%	45%
Felt Supported by Lending Institutions	50%	80%
Source: Arkansas Small Business Access to Capital Study		

HOPE, and other CDFIs committed to serving these regions, demonstrate ways to fill these gaps through meeting the needs of these small businesses on a day-to-day business. This meant CDFIs with these experiences were well-positioned to meet the overwhelming needs for vital relief during COVID-19. For example, in 2020, over 75% of HOPE's commercial and small business loans were to minority and women owned businesses.

The long-existing disparities in access to capital, the impact of COVID-19, and disparate outcomes of PPP should guide the implementation of the development of new policies and programs. For example, as the Consumer Financial Protection Bureau moves to finalize small business fair lending rules under Section 1071 of the Dodd Frank Wall Street Reform and Consumer Protection Act, it must be implemented with the recognition of current disparities in order to craft a final rule best positioned to help alleviate them.[52] The Small Business Administration should increase the accessibility of its programs and products to historically underserved businesses, as should banks. Increasing investments into CDFIs and MDIs with track records of lending in diverse communities is another critical part of the strategy to increasing capital to minority-owned businesses, particularly those in persistent poverty regions. Finally, as federal dollars are deployed, such as through the renewed State Small Business Credit Initiative or state and local government infrastructure projects, these significant sources of capital, if deployed equitably, could fuel the growth of small businesses in the most economically distressed regions of the country.

Supporting small and minority-owned businesses is a critical part of the strategy for a robust and equitable rural economy. Small businesses of color are more likely to employ people of color; as such their growth is connected to reversing the COVID-19 related employment losses.[53] Additionally, closing the small business capital gap strengthens the vitality of the economy as a whole by serving as a pathway to close the racial wealth gap. Growing and supporting Black entrepreneurs is key to building wealth in Black communities. While white adults have 13 times the wealth of Black adults, the gap closes to three to one when comparing the median wealth of white business owners to Black business owners.[54] Ultimately, closing the racial wealth gap has the potential to increase the national Gross

Domestic Product (GDP) between $1 and $1.5 trillion by 2028.[55]

<u>5. Strengthen consumer protections that prevent wealth stripping and build assets.</u>

Despite the resilience of Deep South communities, extractive debt practices remain a significant factor in the economic mobility of rural households in the Deep South. Rural communities are plagued with the interconnectedness of low-incomes, and oppressive debt that reinforce cycles of inequity. Policy makers must account for the pervasive racial and economic inequality, and prioritize protection from predatory lending and debt-related abuses.

Payday and car title lenders strip away from $1.6 billion a year from the Deep South states, and $8 billion nationally.[56] This wealth-extraction can be curbed with federal and state laws, such as a 36% rate cap and rules by the Consumer Financial Protection Bureau that ensures lenders assess a borrower's ability to repay these loans without defaulting or re-borrowing. As one example of the common stories in our region: A 70-year old woman who relies on Social Security for her primary income was trapped in $10,000 title loan on a car owned free and clear. The payments were $525/month where her monthly income is $1,300. HOPE was able to get her out of this loan, which literally put hundreds of dollars back into her pocket, and protected her car from being seized.

Though four of the five states in our region do not protect against the harms of these loans, the state of Arkansas does. With its 17% rate cap, Arkansas saves its residents over $139 million a year annually.[57] The benefits of Arkansas's law are documented in a recent report about how borrowers are faring several years after the enforcement of the rate cap. As one person said, they are doing "[m]uch better financially. You don't continue to repeat the vicious cycle."[58] Unfortunately, Arkansas' state law is being undermined by a recent rule by the Officer of the Comptroller of the Currency (OCC) which facilitates "rent-a-bank" arrangements between banks and online lenders to make loans at rates significantly higher than allowed by state law.[59] HOPE members have been trapped by loans facilitated by rent-a-bank partnerships, putting their economic success in jeopardy and thus frustrating our mission to build wealth among low-income communities and communities of color in the Deep South. [60] For these reasons, HOPE supports the Congressional Review Act resolution nullifying the OCC rule facilitating these harmful loans which undermine the state laws and threaten the economic security of our region.

Other harmful debts are also pervasive in the communities we serve. Deep South rural communities now have higher rates of student loan delinquency than rural communities elsewhere. Nationally, 17% of rural student loan borrowers in are delinquent, but for each of the five Deep South states it is 20% or higher.[61] In Mississippi, nearly one in four (24%) of rural student loan borrowers are delinquent, and 65% of all student loan borrowers in the state live in rural communities.[62] Medical debt is also of significant concern to the borrowers in communities we serve, particularly in places like the Mississippi Delta.[63] Finally, since 2009, debt imposed on people due to their interactions with the criminal justice system has doubled in the last decade, to a staggering $4 billion.[64] As such, protections like student loan debt forgiveness, discharging and reducing criminal justice debt, and protecting against abusive debt collection practices are a necessary part of the equation for the economic recovery of the Deep South.

Conclusion

People in rural areas know what solutions work best for their communities, and have consistently demonstrated their capability of doing it, most often with significantly fewer resources than other communities. CDFIs with track records of reaching and working in partnership communities of color and rural communities model solutions that work. With adequate resources supporting these institutions, and increased commitment by others to do the same, it is possible to ensure prosperity and mobility in the most economically distressed communities in rural America.

Endnotes

[1] Housing Assistance Council, "Persistent Poverty," http://www.ruralhome.org/sct-initiatives/mn-persistent-povertyhttp://www.ruralhome.org/sct-initiatives/mn-persistent-poverty (accessed Apr. 18, 2021).
[2] Partners for Rural Transformation, "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity," Nov. 2019, https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming_Persistent_Poverty_in_America_-_Policy-Paper-PRT-_FINAL.pdf
[3] Id.
[4] Id.
[5] Id.
[6] Federal Reserve Board of Atlanta, "Community Reinvestment Act: Geographies and Strategies in the Southeast," Aug. 2015, https://www.atlantafed.org/community-development/publications/partners-update/2015/04/150824-cra-geographies-and-strategies-in-southeast (accessed Apr. 18, 2021).
[7] Housing Assistance Council, "CRA in Rural America," 2015, http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1090-rrr-cra-in-rural-america.
[8] Opportunity Finance Network, "Bank Investment Falls Short in Rural America," Feb. 2020, available at https://ofn.org/advocacy-tools-and-fact-sheets.
[9] Board of Governors of the Federal Reserve System, "Perspectives from Main Street: Bank Branch Access in Rural Communities," Nov. 2019, https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf.
[10] FDIC, 2019 How America Banks: Household Use of Banking and Financial Services, available at www.economicinclusion.gov.
[11] U.S. Census Bureau, American Community Survey, 2017
[12] Partners for Rural Transformation, "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity," Nov. 2019, https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming_Persistent_Poverty_in_America_-_Policy-Paper-PRT-_FINAL.pdf

[13] Center for Responsible Lending, "Payday and Car-Title Lenders Drain Nearly $8 Billion in Fees Every Year," Apr. 2019, https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-statebystatefee-drain-apr2019.pdf.
[14] Bill Bynum and Calandra Davis, HOPE, Comments to the Office of the Comptroller of the Currency, National Banks and Federal Savings Associations as Lenders, Sept. 2, 2020, http://hopepolicy.org/blog/hope-submits-comments-opposing-occ-true-lender/.
[15] Prosperity Now Scorecard, Liquid Asset Poverty, 2019, available at https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/liquid-asset-poverty-rate.
[16] Sara Miller, "New Census Data on Employment Income Loss Underscore Magnitude of Financial Hardship in the Deep South from the Pandemic," Hope Policy Institute, Aug. 19, 2020, http://hopepolicy.org/blog/new-census-data-on-employment-income-loss-underscores-magnitude-of-financial-hardship-in-the-deep-south-from-the-pandemic/.
[17] Id.
[18] Analysis of Bureau of Labor Statistics, Current Employment Statistics (State and Metro Area) and U.S. Department of Labor Office of Unemployment Insurance, UI Weekly Claims.
[19] Sara Miller, "Deep South Job Losses due to COVID-19 likely to Far Eclipse those of the Great Recession," Hope Policy Institute, Apr. 21, 2020, http://hopepolicy.org/blog/deep-south-job-losses-due-to-covid-19-likely-to-far-eclipse-those-of-the-great-recession/.
[20] Analysis of data from the Bureau of Labor Statistics and U.S. Census Current Population Survey accessed at https://www.bls.gov/lau/ex14tables.htm.
[21] See generally, Hope Policy Institute, Deep South Economic Mobility Forecast, https://hopecu.org/deep-south-economic-mobility-forecast-2021/.
[22] Robert W. Fairlie, "The Impact Of Covid-19 On Small Business Owners: Evidence Of Early-Stage Losses From The April 2020 Current Population Survey," National Bureau of Economic Research, June 2020, https://www.nber.org/system/files/working_papers/w27309/w27309.pdf.
[23] See e.g., Claire Kramer Mills and Jessica Battisto, "Double Jeopardy: Covid-19's Concentrated Health And Wealth Effects In Black Communities," Federal Reserve Bank of New York, Aug. 2020, https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses.
[24] 60decibels, "Insights for Hope Credit Union: Understanding the Experiences of PPP Borrowers," conducted by 60 Jan. 2021 (survey of representative sample of 240 HOPE PPP borrowers).
[25] Hope Policy Institute analysis of Statistics for Non-employer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, and Metro Areas: 2017, Annual Business Survey Program.
[26] For information on the racially-biased funding formula, see NAACP Legal Defense Fund, Letter to Governor Bill Lee Re: Tennessee Small Business Relief Program, July 6, 2020, available at https://www.naacpldf.org/wp-content/uploads/Tennessee-Letter-2020-07-06-1.pdf.
[27] Diane Standaert, "Mississippi's Small Business Relief: Gaps and Opportunities," Hope Policy Institute, Aug. 25, 2020, http://hopepolicy.org/manage/wp-content/uploads/Mississippis-Small-Business-Relief-Gaps-and-Opportunities-Brief-Final-1.pdf.
[28] Sara Miller, "Deep South Job Losses due to COVID-19 likely to Far Eclipse those of the Great Recession," Hope Policy Institute, Apr. 21, 2020, http://hopepolicy.org/blog/deep-south-job-losses-due-to-covid-19-likely-to-far-eclipse-those-of-the-great-recession/.
[29] Kiyadh Burt, "Analyzing the CDFI Asset Gap: Analyzing the CDFI Asset Gap: Examining Racial Disparities in CDFI Fund Awardees from 2003 to 2017," Hope Policy Institute, Nov. 5, 2020, http://hopepolicy.org/manage/wp-content/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf.
[30] Analysis of 2019 HMDA loan origination data accessed March 29, 2021 at https://ffiec.cfpb.gov/data-browser/data/2019?category=states and CDFI certification data from the CDFI Fund available at https://www.cdfifund.gov/programs-training/certification/cdfi.
[31] 2019 HMDA loan origination data accessed March 29, 2021 at https://ffiec.cfpb.gov/data-browser/data/2019?category=states.

---

[32] Analysis of 2019 HMDA loan origination data accessed March 29, 2021 at https://ffiec.cfpb.gov/data-browser/data/2019?category=states and CDFI certification data from the CDFI Fund available at https://www.cdfifund.gov/programs-training/certification/cdfi.

[33] Analysis of data from the CDFI Fund NMTC Awards and U.S. Census Bureau.

[34] Analysis of CDFI Fund, "NMTC Program Award Book" 2019, 2018, 2017, 2015-16, 2014, 2013, and 2012

[35] See, e.g., African American Alliance of CDFI CEOs, Comment to the CDFI Fund re: New Markets Tax Credit Program Allocation Application, Mar. 1, 2021; and Sara Miller and Kendra Key, "HOPE Submits Comment Calling for Racial Equity in New Markets Tax Credit Program," Mar. 1, 2021, http://hopepolicy.org/blog/hope-submits-comment-calling-for-racial-equity-in-new-markets-tax-credit-program/

[36] Bill Bynum, Ed Sivak, and Diana Elliot, "Opening Mobility Pathways by Closing the Financial Services Gap," U.S. Partnership from Mobility to Prosperity, Feb. 2018, https://www.mobilitypartnership.org/opening-mobility-pathways-closing-financial-services-gap.

[37] Sec. 523(c)(4) of the Consolidated Appropriations Act of 2021, defining "minority lending institution" as a a CDFI "where a majority of both the number and dollar volume of arm's-length, on-balance sheet financial products of the CDFI are directed at minorities or majority minority census tracts or equivalents; and is (1) an MDI as defined by FDIC or NCUA or (2) meets other standards of accountability to minority populations as determined by the Fund."

[38] Hope Policy Institute, "HOPE Submits Comment to Federal Reserve's Proposed Changes to the Community Reinvestment Act," Feb. 16, 2021, available at http://hopepolicy.org/manage/wp-content/uploads/HOPE-Federal-Reserve-CRA-Comment-FINAL.pdf and Partners for Rural Transformation, Comments to the Federal Reserve Board of Governors, "Advance Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket No. R-1723 and RIN 7100-AF94," Feb. 15, 2021, available at https://www.ruraltransformation.org/wp-content/uploads/2021/02/PRT-Fed-Reserve-CRA-Letter-February-2021.pdf.

[39] See e.g., Kiyadh Burt, "CDFIs and MDIs Continue to Cater to Small Businesses Despite PPP Barriers," Hope Policy Institute, July 23, 2020, http://hopepolicy.org/blog/cdfis-and-mdis-continue-to-cater-to-small-businesses-despite-ppp-barriers/

[40] Diane Standaert, Sara Miller, and Calandra Davis, "CDFIs' Indispensable Role in Connecting Small Businesses with PPP Loans in the Deep South," Hope Policy Institute, Dec. 15, 2020, http://hopepolicy.org/blog/cdfis-indispensable-role-in-connecting-small-businesses-with-ppp-loans-in-the-deep-south/.

[41] 60decibels, "Insights for Hope Credit Union: Understanding the Experiences of PPP Borrowers," conducted by 60 Jan. 2021 (survey of representative sample of 240 HOPE PPP borrowers).

[42] Small Business Administration, Interim Final Rule, Business Loan Program Temporary Changes; Paycheck Protection Program—Revisions to Loan Amount Calculation and Eligibility, Docket Number SBA–2021–0010, Mar. 8, 2021, available at https://www.federalregister.gov/documents/2021/03/08/2021-04795/business-loan-program-temporary-changes-paycheck-protection-program-revisions-to-loan-amount

[43] 15 U.S.C. 636(a)(36)(V) as added by Section 313 of the Consolidated Appropriations Act, 2021.

[44] 60decibels, "Insights for Hope Credit Union: Understanding the Experiences of PPP Borrowers," conducted by 60 Jan. 2021 (survey of representative sample of 240 HOPE PPP borrowers).

[45] Calandra Davis and Georgia Barlow, "Racial Inequities in the Distribution of Louisiana's Coronavirus Relief Funds: A Report for Community Leaders," Hope Policy Institute and Power Coalition for Equity and Justice, Apr. 16, 2021 http://hopepolicy.org/blog/deep-south-job-losses-due-to-covid-19-likely-to-far-eclipse-those-of-the-great-recession/

[46] Analysis of Home Mortgage Disclosure Act 2019 denial and origination data accessed at https://ffiec.cfpb.gov/data-browser/data/2019?category=states

[47] Mortgage Bankers Association, "Share of Mortgage Loans in Forbearance Increases to 8.55%," June 8, 2020, https://www.mba.org/2020-press-releases/june/share-of-mortgage-loans-in-forbearance-increases-to-853

[48] Ed Sivak, HOPE, "Minority Depository Institutions in the Deep South," July 15, 2020, http://hopepolicy.org/blog/minority-depository-institutions-in-the-deep-south/ (finding that from 2013 to 2018, the number of Deep South MDI banks and credit unions shrank from 121 institutions holding nearly $3 billion in assets to 80 institutions comprised of $1.6 billion.")

---

[49] Precise Data Consulting, LLC, "Arkansas Small Business Access to Capital Study," prepared for Winthrop Rockefeller Foundation and Winrock International, June 2019, https://d2yzrxf02jgvo7.cloudfront.net/files/capital-access-report-final-146-7ecf.pdf

[50] Kristy Carter, University of Central Arkansas and Women's Foundation of Arkansas, "Women of Color and Business Entrepreneurs in Arkansas," 2020, https://indd.adobe.com/view/4af11266-20c0-4ab1-919f-c7edf581798f

[51] Precise Data Consulting, LLC, "Arkansas Small Business Access to Capital Study," prepared for Winthrop Rockefeller Foundation and Winrock International, June 2019, https://d2yzrxf02jgvo7.cloudfront.net/files/capital-access-report-final-146-7ecf.pdf

[52] Diane Standaert, "HOPE Submits Comments on CFPB's Section 1071 Rulemaking," Hope Policy Institute, Nov. 19, 2020, http://hopepolicy.org/blog/hope-submits-comments-on-cfpbs-section-1071-rulemaking/

[53] See e.g., Association for Enterprise Opportunity, "Tapestry of Black Business Ownership in America: Untapped Opportunities for Success," Feb. 2017, https://www.aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_W E B.pdf

[54] Id.

[55] McKinsey and Company, "The Economic Impact of Closing the Racial Wealth Gap," Aug. 13, 2019, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-theracial-wealth-gap

[56] Center for Responsible Lending, "Payday and Car-Title Lenders Drain Nearly $8 Billion in Fees Every Year," Apri. 2019, https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-statebystatefee-drain-apr2019.pdf

[57] Center for Responsible Lending, "Shark-Free Waters: States are Better Off without Payday Lending," Apr. 2019, https://www.responsiblelending.org/research-publication/shark-free-waters-states-are-better-without-payday-lending

[58] Southern Bancorp, "Into the Light: A Survey of Arkansas Borrowers Seven Years after State Supreme Court Bans Usurious Payday Lending Rates," May 2, 2016, https://banksouthern.com/sbcp/into-the-light/

[59] Office of the Comptroller of the Currency, Final Rule, National Banks and Federal Savings Associations as Lenders, Oct. 28, 2020, Docket ID OCC–2020–0026, available at https://www.occ.gov/news-issuances/federal-register/2020/85fr68742.pdf

[60] Bill Bynum and Calandra Davis, HOPE, Comments to the Office of the Comptroller of the Currency, National Banks and Federal Savings Associations as Lenders, Sept. 2, 2020, http://hopepolicy.org/blog/hope-submits-comments-opposing-occ-true-lender/ (noting "there is at least one high-cost lender in every state in the Deep South region making these loans via the bank partnership arrangement.... Over the course of just the past three months, 67 HOPE members had at least one loan from either Elastic, Rise, OppLoans, EasyPay Personify, or NetCredit via the rent-a-bank arrangement. This is a concerning number. People stuck in the rent-a-bank loans are people on fixed incomes receiving social security or disability benefits, veterans, students, teachers, and workers at hospitals, fast food places, and even payday loan shops.").

[61] Ben Kaufman and Vanessa Garcia Polanco, "Research Roundup: Rural Communities and Farmers are at the Forefront of the Student Debt Crisis," Student Borrower Protection Center, Dec. 2, 2020, https://protectborrowers.org/research-roundup-rural-communities-and-farmers-are-at-the-forefront-of-the-student-debt-crisis/

[62] Id.

[63] Diane Standaert, Sara Miller, and Calandra Davis, "Medical Debt in the Mississippi Delta," Hope Policy Institute, Nov. 18, 2020, http://hopepolicy.org/blog/medical-debt-in-the-mississippi-delta/

[64] Calandra Davis, "Examining the Intersection Between Criminal Justice and Financial Services in the Deep South," Hope Policy Institute, Jan. 13, 2021, http://hopepolicy.org/manage/wp-content/uploads/Criminal-Justice-Paper.pdf

PREPARED STATEMENT OF STACY MITCHELL

COEXECUTIVE DIRECTOR, INSTITUTE FOR LOCAL SELF-RELIANCE

APRIL 20, 2021

Good morning, Chairman Brown, Ranking Member Toomey, and Members of the Committee. Thank you for holding this important hearing and inviting me to participate. My name is Stacy Mitchell. I am the co-director of the Institute for Local Self-Reliance (ILSR), a public interest research and advocacy organization. Since 1974, we've worked to advance policies that disperse economic power and strengthen local communities.

Rural America is in crisis, and the gap between struggling rural towns and coastal supercities is growing ever wider. Much of this distress stems from the concentration of corporate and financial power, which is centralizing wealth in the hands of the few while wiping out the independent businesses and well-paying jobs that are the foundation of rural economies. Financial consolidation furthers this dynamic by starving rural entrepreneurs of capital, while providing ample backing to the largest and most dominant corporations. My statement begins with an examination of how monopoly power is harming rural communities. It then looks at the role of the financial system in fueling concentration and undermining independent businesses. Finally, I outline several policy approaches to promote economic recovery and investment in rural communities.

1. Rural America is in Distress

One of the most striking and troubling trends that we've seen in our research in recent years is the widening economic gap between different regions of the country. A few "superstar" cities, mostly along the coasts, are prospering. Meanwhile much of the rest of the country, including much of rural and small town America, is falling further behind. This divergence began before the 2008 financial crisis, but it has grown more pronounced in the years since. Today, rural communities lag behind on nearly every measure.

In rural America, good jobs are hard to come by. Many rural residents are struggling to survive on jobs that are low-wage and insecure. And even then, there's simply not enough work. Between 2014 and 2018, more than 43 percent of rural counties experienced a net decline in jobs, compared to just 16 percent of non-rural counties.[1] This lack of opportunity has left many rural areas with a shrinking and aging population as people of prime working age move away, further accelerating the downward economic spiral.

Many rural communities are suffering from a lack of critical infrastructure and services. Nearly 40 percent of rural households did not have broadband Internet access in 2019.[2]

[1] "Redefining Rural: Towards a Better Understanding of Geography, Demography, and Economy in America's Rural Places," Economic Innovation Group, March 9, 2021.
[2] "Digital Gap Between Rural and Nonrural America Persists," Andrew Perrin, Pew Research Center, May 31, 2019.

Across rural communities, we're seeing the loss of grocery stores, pharmacies, and other essential businesses. More than 100 rural hospitals have closed since 2013, forcing residents in these communities to travel a median distance of 25 miles to obtain care. [3] One-third of rural counties do not have a local bank, up from about 14 percent in 1995.[4]

The median household income is much lower in rural areas than in non-rural areas, and people in rural communities are more likely to be living in poverty. On average, the poverty rate in rural areas is nearly three percentage points higher than in non-rural areas.[5] While this gap exists in every part of the country, it's worse in some regions, including the South, where the rural poverty rate is a full five percentage points higher than the non-rural rate.[6]

We can't understand the struggles of rural America without contending with racial inequality. One in five rural residents are people of color, and the fastest growing rural populations are Native American, Asian, and Latino.[7] While rural communities of all kinds are struggling, many of the most distressed rural communities are those harmed by our country's history of racially discriminatory policies. More than 70 percent of rural Black and Native American residents live in counties that are distressed or at risk, compared to just over 40 percent of rural whites, according to the Economic Innovation Group.[8]

Layered onto the economic problems, many rural areas are also facing a health crisis. Poverty and lack of opportunity have put rural residents more at risk of chronic diseases, addiction, mental health disorders, and suicide.[9] Yet they have less access to health care facilities and services than non-rural places.[10]

2. Concentrated Economic Power is Fueling Rural Decline

What's causing the crisis in rural communities? At the root of much of rural America's distress is the concentration of economic and financial power. Nearly every sector of the

---

[3] "Rural Hospital Closures: Affected Residents Had Reduced Access to Health Care Services," U.S. Government Accountability Office, January 21, 2021.
[4] ILSR analysis of bank data from the FDIC.
[5] Op. cit. "Redefining Rural: Towards a Better Understanding of Geography, Demography, and Economy in America's Rural Places."
[6] Op. cit. "Redefining Rural: Towards a Better Understanding of Geography, Demography, and Economy in America's Rural Places."
[7] "Debunking Three Myths about Rural America," Urban Institute, October 30, 2020.
[8] Op. cit. "Redefining Rural: Towards a Better Understanding of Geography, Demography, and Economy in America's Rural Places."
[9] "Chronic Disease in Rural America," Rural Health Information Hub; "Substance Use and Misuse," Rural Health Information Hub; "Rural Mental Health," Rural Health Information Hub; "Suicide in Rural America," U.S. Centers for Disease Control.
[10] "Rural America's Health Crisis Seizes States' Attention," Pew: Stateline, Jan. 31, 2020.

economy has become dominated by a few large, powerful corporations. As these corporations centralized control, they destroyed the ability of many rural communities to sustain themselves. Across rural regions, locally owned businesses and banks have shuttered. This has left many rural Americans at the mercy of distant corporations that view their communities as expendable, nothing more than places they can mine for revenue and cheap labor. It's not only the resulting economic hardship that is causing rural despair. It is also this pervasive sense of powerlessness, lack of self-determination, and the inability to imagine and bring about a better future.

Today's extreme level of market concentration is not the product of inevitable forces. It's the result of deliberate policy decisions. Beginning in the 1980s, policymakers adopted a radical change in the framework underpinning antitrust enforcement. Rather than focus on maintaining robust competition by ensuring fair and open markets, enforcers began to focus on the narrow goal of maximizing efficiency. Because big corporations were assumed to be more efficient, the government began embracing mergers and giving large corporations wide leeway to flex their market power and engage in monopolistic tactics that had previously been blocked. This ideological shift in favor of consolidation affected more than antitrust. It also led to other major policy changes, including the dismantling of Depression-era banking laws in the 1990s.

Concentration has harmed rural communities in several ways. In agricultural regions, consolidation among big agribusiness corporations has dramatically reduced the number of buyers for milk, meat, and other farm products.[11] This has allowed a few dominant players to drive down the prices that farmers and ranchers are paid. In the poultry industry, for example, only three firms — Tyson's Foods, Pilgrim's Pride, and Sanderson Farms — account for 60 percent of the market.[12] As these big processors took over the industry, they forced chicken farmers into a contract system that drives down what they're paid while forcing them to take on more risk.[13] Farmers are not the only ones losing out: Consolidation has led to lower wages and diminished health and safety protections for people who work in slaughterhouses and other food processing facilities.[14] Research has linked consolidation in agriculture to higher rates of crime, less civic participation, and declining social cohesion in rural communities.[15]

---

[11] "The Food System: Concentration and Its Impacts," Mary K. Hendrickson, Philip H. Howard, Emily M. Miller, and Douglas H. Constance, November 19, 2020.
[12] "The American Dream Deferred," Senator Cory Booker, Brookings Institute, June 2018.
[13] "The Rise of the Zombie Small Business," Annie Lowrey, *The Atlantic*, September 4, 2018.
[14] "Monopolies in Meat: Endangering Workers, Farmers, and Consumers," *The American Prospect*, May 4, 2020;
[15] "Top 5 broiler producers dominate US production," Austin Alonzo, *WattAgNet*, June 2016; "The community effects of industrialized farming: Social science research and challenges to incorporate farming laws," Linda Lobao and Curtis Stofferahn, *Agriculture and Human Values*, December 2007.

Another consequence of market concentration is that it's led to plant closings and layoffs in small towns as companies merge and consolidate their operations. The town of Eden, N.C., for example, lost its two main employers a few years ago when the world's largest beer brewer, Anheuser-Busch, closed the local brewery after acquiring SABMiller, and then Ball Corp. shuttered its bottling plant after buying Rexam.[16]

More closures and layoffs are on the way. The president of Goldman Sachs, John Waldron, recently warned that an expected wave of mega-mergers in the coming months will cause widespread job losses. These deals will be good for Goldman, but with big businesses "looking to consolidate smaller companies," he told investors, "Politicians are going to be faced with the uncomfortable reality...that there's going to be more losses of jobs along the way."[17]

The Decline of Small Business

One of the most significant yet overlooked harms of concentration in rural America is the decline of independent businesses. In the 1980s businesses with fewer than 100 employees accounted for 40 percent of all business revenue nationwide. Today their share has fallen to about 20 percent.[18] Although this decline has been underway for some time, it's accelerated in the last decade. Since 2010, the United States has lost tens of thousands of small retailers, distributors, manufacturers, construction firms, and more.[19]

Small businesses are disappearing in every part of the country, but their loss is especially damaging in rural communities, which depend more heavily on smaller businesses for jobs and services. Indeed, businesses with fewer than 500 employees provide two-thirds of rural jobs, and those with fewer than 50 employees provide 42 percent of rural jobs.[20]

The problem isn't just that existing businesses are failing; it's also that fewer new businesses are forming. Prior to the pandemic, the startup rate had fallen sharply nationwide.[21] The decline was especially steep in rural counties. According to research by the Economic Innovation Group, in the recovery years after the financial crisis, the U.S.

---

16 "The Downsides of Efficiency," *The Atlantic*, March 2, 2017.
17 "Goldman Warns of More Job Losses with Jumbo Mergers on the Rise," *Bloomberg*, October 16, 2020.
18 ILSR calculation based on U.S. Economic Census data.
19 ILSR calculation based on U.S. Economic Census data.
20 "Why Main Streets are a Key Driver of Equitable Economic Recovery in Rural America," Brookings Institute, December 1, 2020.
21 "What's Driving the Decline in Firm Formation Rate: A Partial Explanation," Ian Hathaway & Robert Litan, Brookings Institute, November 2014; "Dynamism in Retreat: Consequences for Regions, Markets, and Workers," Economic Innovation Group, February 2017.

created far fewer new businesses than it had in previous recoveries and more than half of this new business growth was concentrated in just 20 large metropolitan counties.[22] Meanwhile, 80 percent of rural counties with populations of fewer than 100,000 experienced a net decline in businesses.[23]

In small communities, the absence of locally owned businesses has profound consequences. Starting a business has been a long-standing pathway to the middle class. Today that pathway is increasingly blocked. The loss of small businesses has also made it harder for working people to earn a decent living. Economists have found that a major reason that incomes for most Americans haven't risen in decades is that there are too few companies competing for their labor.[24] Without competition, big corporations have outsized power to hold down wages. This phenomenon is particularly pronounced in rural labor markets.[25] It's left far too many people dependent on side hustles and gig jobs to put food on the table.

Research shows that locally owned small businesses recirculate a sizable share of their revenue within the surrounding area, helping to strengthen the regional economy. They tend to rely more on local and regional supply chains, buying many of the inputs and services they need from nearby businesses. Independent grocery stores, for example, source more of the food they carry from family farms and small producers, and rely on local businesses for marketing, banking, and other services.[26] In contrast, studies show that about 85 percent of the dollars that flow into big chain stores like Walmart leave the community.[27]

As their local economies unravel, rural communities are increasingly governed and exploited by outside forces, from agribusiness monopolies, to Wall Street banks, to dollar store chains. This loss of local power and capacity has contributed to widespread anger and despair. It's also taken a considerable toll on the social and civic fabric of rural communities. The loss of local economic control "involves long-term social costs to the

[22] "The New Map of Economic Growth and Recovery," Economic Innovation Group, May 2016.
[23] "Decline of Rural U.S. Businesses Contrasts with Prospering Cities," Sam Fleming, *The Financial Times*, October 15, 2018.
[24] "Concentration in US Labor Markets: Evidence from Online Vacancy Data," Jose Azar, Ioana Elena Marinescu, Marshall Steinbaum, Bledi Taska, 2018; "Antitrust Remedies for Labor Market Power," Suresh Naidu, Eric A. Posner and Eric Glen Weyl, *Harvard Law Review*, December 10, 2018.
[25] "Why is Pay Lagging? Maybe Too Many Mergers in the Heartland," Noam Scheiber and Ben Casselman, *New York Times*, January 25, 2018.
[26] "Benefits of Hometown Grocery Stores Fact Sheet," Center for Engagement and Community Development, Kansas State University, 2019.
[27] "Thinking Outside the Box: A Report on Independent Merchants and the Local Economy," Civic Economics, Sept. 2009; "Indie Impact Study Series: Salt Lake City, Utah," Civic Economics, Aug. 2012.

community, including lower civic involvement," the scholar Richard Brunell has concluded.[28]

For a long time, the story we told ourselves about the decline of small businesses is that they can't compete. We assume that large corporations are inherently better and more effective. When an independent grocery store vanishes or a dairy farm goes bankrupt, there's a resigned sense that this is inevitable. But research by my organization and the work of others has found that in many sectors, small businesses outperform their bigger rivals, and deliver distinct benefits to their markets and industries that big companies do not match.[29]

The problem is not that small businesses can't compete. It's that dominant corporations, empowered by policies that tilt the playing field, are muscling them out and, in the process, destroying the economic vitality and resilience of many small towns.

The Spread of Pharmacy Deserts

Take the case of independent pharmacies. According to research by Consumer Reports, local pharmacies offer significantly lower drug prices on average than CVS, Walgreens, Walmart, and other chains.[30] They also provide better care, including more one-on-one consultations with patients and help with adhering to life-saving regimes to manage chronic illnesses such as diabetes.[31] More than 70 percent of independent pharmacies provide home delivery, a crucial service for the elderly and disabled, and most do it for free.[32]

Independent pharmacies are especially crucial sources of health care in rural communities, many of which have been bypassed by chain pharmacies and lost hospitals and other medical services to consolidation. Three-quarters of the nation's 21,000 independent pharmacies serve areas with a population of less than 50,000.[33] One reason many rural

[28] "The Social Costs of Mergers: Restoring Local Control as a Factor in Merger Policy," Richard M. Brunell, 85 N.C. L. Rev. 149: 2006.
[29] For example, see "Monopoly Power and the Decline of Small Business," Stacy Mitchell, Institute for Local Self-Reliance, August 10, 2016.
[30] "Shop Around for Lower Drug Prices," Lisa L. Gill, *Consumer Reports*, April 2018. "Finding the Right Pharmacy," *Consumer Reports*, January 2014.
[31] "Medication Use Drops When Local Drugstores Close." Carolyn Crist, Reuters, May 2019.
[32] "NCPA 2018 Digest," Leon Michos, PhD, Erin Holmes, PharmD, PhD, National Community Pharmacists Association, November 2018
[33] "NCPA 2018 Digest," Leon Michos, PhD, Erin Holmes, PharmD, PhD, National Community Pharmacists Association, November 2018

states have led the nation in Covid-19 vaccination rates is that local pharmacies have outperformed the chains in getting their communities vaccinated.[34]

Despite their superior performance, many independent pharmacies have closed in recent years and many more are on the brink of doing so. This has fed a troubling trend: a growing number of rural communities are becoming "pharmacy deserts," leaving residents without the ability to pick up a prescription or consult with a pharmacist.[35] In Ohio alone, more than 400 local pharmacies have closed since 2013, many of them rural.[36] A 2018 study from the University of Iowa found that over 600 rural communities that had at least one retail pharmacy in 2003 had none 15 years later.[37]

Why are local pharmacies losing ground? The problem has to do with giant, vertically integrated health care corporations, including CVS Health, which not only compete with independent pharmacies but also control how much they're reimbursed by insurers. Through its pharmacy benefit management (PBM) division, CVS has been by cutting reimbursement rates to independent pharmacies.[38] In some states, CVS and other PBMs are also using their control over insurance benefits to block patients from using local pharmacies. As newspapers across the country have documented — including a stunning multi-year investigative series by the *Columbus Dispatch*[39] — these predatory practices are forcing many independent pharmacies out of business. At the same time, CVS and other chains have declined to open outlets in low-income rural areas; instead they expect people in these communities to rely on inferior mail order services or drive long distances to obtain their medications.[40]

Rural Food Deserts and the Threats Facing Small Town Grocery Stores

Independently owned grocery stores play a crucial role in rural communities. They help ensure that people have access to fresh food in the low-population areas that grocery chains generally ignore, especially those that are low-income and/or predominantly Black. They also provide significant economic benefits. In Kansas, for example, the average grocery store in very small towns (under 3,000 people) contributes $644,000 to the local

[34] "Small Pharmacies Beat Big Chains at Delivering Vaccines. Don't Look So Shocked," Stacy Mitchell, *The Washington Post*, February 5, 2021.
[35] "The Growing Problem of Pharmacy Deserts," Fred Gebhart, *Drug Topics*, September 24, 2019.
[36] "Independently Owned Pharmacy Closures in Rural America, 2003-2018," Abiodun Salako, Fred Ullrich, and Keith J. Mueller, Rural Policy Brief, July 2018
[37] "Update: Independently Owned Pharmacy Closures in Rural America, 2003-2018," Abiodun Salako, Fred Ullrich, Keith J. Mueller, University of Iowa RUPRI Center for Rural Health Policy Analysis, July 2018.
[38] "CVS Caremark Cut Payments to Pharmacies Amid $70 Billion Deal to Buy Aetna," Marty Schladen and Lucas Sullivan, *The Columbus Dispatch*, June 24, 2018; "How the FTC Protected the Market Power of Pharmacy Benefit Managers, Stacy Mitchell and Zach Freed, February 19, 2021.
[39] "Side Effects: An Ongoing Investigation on the Rising Costs of Prescription Drugs," *The Dispatch*.
[40] "A Rebirth of Indie Pharmacies Could Cure Rural Ills, *The American Conservative*, November 5, 2019.

economy, employs 17 people, and generates 20 percent of local sales and property tax dollars.[41] Independent grocers also carry more locally produced foods than big supermarket chains. This opens up distribution channels for local farmers and helps local food companies start and grow.

Despite the important role they play, many independent grocery stores in rural areas are struggling and many have closed their doors. Nationwide, 41 percent of all U.S. counties lost local grocery stores between 2005 and 2015.[42] In Minnesota, a recent survey found that almost half of the state's 235 rural grocers (those in towns under 2,500 people) fear that they will go out of business within the next five years.[43] In Kansas and North Dakota, roughly one-quarter of small-town grocers have closed in the last decade.[44] When a community loses its grocery store, residents must travel to shop or rely on dollar stores and convenience stores, which stock little or no fresh food and charge higher prices than locally owned grocery stores.[45] Losing the local grocery store can also trigger a downward spiral of disinvestment and out-migration.

While there are many challenges facing rural grocery stores, these businesses report that concentrated corporate power is a leading threat. In a recent white paper, the National Grocers Association documented how big retailers, particularly Walmart, which controls 25 percent of the national grocery market, have used their power as dominant buyers to demand that suppliers give them lower prices and preferable terms, while charging higher prices to competing independent grocers.[46] During the pandemic, Walmart and Amazon even compelled suppliers to give them priority access to high-demand items, which left many rural grocery stores with bare shelves.[47] "These problems disproportionately impact rural communities and urban centers, which are more likely to be served by independent grocers," the paper concluded.

---

[41] "Benefits of Hometown Grocery Stores Fact Sheet," Center for Engagement and Community Development, Kansas State University, 2019.
[42] "Independent Grocery Stores in the Changing Landscape of the U.S. Food Retail Industry," Clare Cho and Richard Volpe, United States Department of Agriculture, November 2017.
[43] "New Survey Reveals Challenges and Opportunities Facing Rural Grocers," University of Minnesota Extension, December 7, 2020.
[44] "Losing Rural Groceries," Cally Peterson, *North Dakota Living*; David Procter, correspondence with author, April 2021.
[45] "Food store types, availability, and cost of foods in a rural environment," Liese, A.D. et al., *Journal of the American Dietetics Association*, 2007.
[46] "Buyer Power and Economic Discrimination in the Grocery Aisle: Kitchen Table Issues for American Consumers," The National Grocers Association, 2021.
[47] Op. Cit. "Buyer Power and Economic Discrimination in the Grocery Aisle: Kitchen Table Issues for American Consumers;" "The Amazon Lockdown: How an Unforgiving Algorithm Drives Suppliers to Favor the E-Commerce Giant Over Other Retailers," Renee Dudley, *ProPublica*, April 26, 2020.

Another threat to small grocers is the predatory expansion of the two dominant dollar store chains, Dollar General and Dollar Tree, which owns Family Dollar. Although these chains sometimes fill a need in places that lack basic retail services, evidence suggests these stores are not merely a byproduct of economic distress; they are a cause of it.[48] In small towns, dollar stores are leading full-service grocery stores to close, yet most sell no fresh vegetables, fruits, or meats.[49] Reports from local grocers in numerous communities suggest that it's typical for sales to drop by about 25 percent after a Dollar General opens.[50] Thin margins in the grocery business mean that such a disruption is often enough to force the local grocery store to close. Residents are left with the small selection of processed foods sold at Dollar General, or they must travel to another town or city to buy their groceries.

The dollar chains are capitalizing on the dire economic condition in rural America, much like an invasive species advancing on a compromised ecosystem. Local grocers that survived Walmart are now falling to Dollar General, leaving a growing number of rural towns without access to fresh food. "This has become the number one challenge of grocery stores," says David Procter, an expert on community development and director of the Rural Grocery Initiative at Kansas State University.[51]

Digital Gatekeepers: Amazon's Impact on Rural Businesses

The emergence of the Internet promised to give rural entrepreneurs and other small businesses access to a vast world of customers and opportunities. But online commerce has become controlled by a single powerful gatekeeper. Amazon captures nearly two-thirds of online product search and shopping traffic. It gained this dominant position in large part by exploiting the weaknesses in antitrust enforcement introduced in the 1980s. One notable example involved predatory pricing. Backed by Wall Street investors anticipating future monopoly profits, Amazon sold entire categories of goods, including books and shoes, at a loss until smaller competitors, lacking the resources to sustain similar losses, folded up.[52]

As a result of Amazon's monopoly power, independent businesses have little choice but to sell on its site if they want to reach much of the online market. But doing so puts them at

[48] "Dollar Stores are Targeting Struggling Urban Neighborhoods and Small Towns. One Community is Showing How to Fight Back," Institute for Local Self-Reliance, December 6, 2018; "How Dollar Stores Became Magnets for Crime and Killing," Alec MacGillis, *ProPublica*, co-published with the *New Yorker*, June 29, 2020.
[49] Op. cit. "Dollar Stores are Targeting Struggling Urban Neighborhoods and Small Towns. One Community is Showing How to Fight Back."
[50] Op. cit. "Dollar Stores are Targeting Struggling Urban Neighborhoods and Small Towns. One Community is Showing How to Fight Back."
[51] Op. cit. "Dollar Stores are Targeting Struggling Urban Neighborhoods and Small Towns. One Community is Showing How to Fight Back."
[52] "Investigation of Competition in Digital Markets," House Judiciary Committee, Oct. 2020.

the mercy Amazon's predatory tactics and high fees. Amazon has a well-documented track-record of appropriating the proprietary data of third-party sellers and using it to compete against them by creating knock-off versions of their best-selling products.[53] Moreover, Amazon has used its gatekeeper power to keep a growing cut of sellers' revenue through the fees it charges. In 2019, Amazon's fees amounted to an average of 30 percent of each sale made by independent sellers on its site, up from 19 percent in 2014.[54]

As a consequence of these predatory tactics, most independent businesses are struggling to succeed online. Only 11 percent of small firms selling in the Amazon Marketplace say the experience has been successful; the rest are losing money.[55] Today, U.S.-based small businesses represent a shrinking share of the third-party sellers on Amazon's platform; about half of these sellers are based overseas.[56]

While e-commerce holds enormous promise for rural communities, as long as this market is dominated by an all-powerful gatekeeper, the growth of online spending will continue to erode small-town economies while centralizing wealth in the hands of Amazon.

3. Financial Consolidation is Fueling Market Concentration and Depriving Rural Communities of Capital and Investment

Failed antitrust policies are one of the main drivers of rural distress. Another root cause is financial concentration. Today's highly concentrated financial system channels most of the country's available capital to the biggest corporations, which are awash in low-cost equity and debt financing. Wall Street also drives merger activity and generates significant profits from it. The top five banks pocketed nearly $20 billion in deal fees during the first nine months of 2020, as merger volume soared to over $1 trillion.[57]

Meanwhile, our banking system is depriving independent entrepreneurs, farmers, small-scale developers, and others of the financing they need. In 2010, banks held $721 billion in loans to small businesses (adjusted to 2018 dollars). By 2018, their small business loan balances had fallen to $635 billion.[58] Surveys by the Federal Reserve show that many

---

[53] "Amazon Scooped Up Data From Its Own Sellers to Launch Competing Products," Dana Mattioli, *Wall Street Journal*, April 23, 2020.
[54] "Amazon's Monopoly Tollbooth," Institute for Local Self-Reliance, July 2020.
[55] "Independent Business Survey," Institute for Local Self-Reliance, 2019.
[56] "Chinese Sellers Outnumber US Sellers on Amazon.com," Marketplace Pulse, Jan. 23, 2020.
[57] "Wall Street banks net $64 billion in fees in bumper year for M&A and IPOs," Lina Saigol and Paul Clarke, *MarketWatch*, Oct. 1, 2020.
[58] Institute for Local Self-Reliance analysis of data from the Federal Deposit Insurance Corporation (FDIC); "Small Businesses, Hit Hard by Pandemic, Are Being Starved of Credit," Peter Rudegeair, *Wall Street Journal*, Dec. 20, 2020

entrepreneurs are struggling to obtain the capital they need to start and grow their businesses.[59] Many resort to high-cost online loans or credit cards, which puts them at a much higher risk of failing. The problem is particularly acute for minority-owned businesses and those in rural communities. In the past five years, only 23 percent of Black-owned businesses were able to access credit from a bank, compared to 46 percent of white-owned businesses.[60] And an analysis by the *Wall Street Journal* found, "The value of small loans to businesses in rural U.S. communities peaked in 2004 and is less than half what it was then in the same communities, when adjusted for inflation."[61]

This problem is structural: big banks do relatively little small business lending and, as they take over more of the industry, the amount of capital available for small businesses is shrinking. The largest four banks — Bank of America, Citi, JP Morgan Chase, and Wells Fargo — control 41 percent of banking assets but provide just 16 percent of small business lending. Community banks (under $10 billion in assets) hold only 17 percent of banking assets, but they supply 46 percent of all bank lending to small businesses.[62]

One reason big banks avoid small business lending is that they lack access to the rich trove of "soft" information that community banks rely on in order to make these loans successfully. Community banks (and CDFIs and credit unions) get to know their borrowers, and they are deeply immersed in and knowledgeable about the local market. This enables them to extend loans to small businesses on the basis of factors that aren't readily quantified (while judging correctly that the loan will be paid back). In contrast, big banks are operating at a national or global scale that leaves them blind to this kind of local information.

As community banks disappear, small businesses are increasingly starved for capital. This can be traced to the fundamental changes in banking policy that Congress enacted in the 1990s. Those changes triggered decades of consolidation and a sharp decline in community banks and credit unions. In 1994, there were about 12,500 community banks and they controlled 50 percent of the industry's assets. By 2006, their numbers had fallen to 8,600 and their share of the market to about 24 percent. Since then, their decline has only continued. Between 2006 and 2018, the country lost a staggering 41 percent of its

---

[59] "Small Business Credit Survey," Federal Reserve, 2020.
[60] "Why Some Black-Owned U.S. Businesses Are Hardest Hit by Coronavirus Shutdowns," Reuters, *The New York Times*, June 2020.
[61] "Goodbye, George Bailey: Decline of Rural Lending Crimps Small-Town Business," Ruth Simon and Coulter Jones, *Wall Street Journal*, Dec. 25, 2017.
[62] Institute for Local Self-Reliance analysis of data from the Federal Deposit Insurance Corporation (FDIC). For data on small and mid-size banks, we include all banks under $12 billion in assets.

community banks. Today, there are just over 5,000 community banks and their market share stands at 17 percent.[63]

This stunning decline should be treated as a national crisis. Its effects have been catastrophic for the nation's small businesses and rural communities. Today, nearly 1,100 counties, more than one-third of the total, lack a community bank, up from about 650 counties in 2006. Most of these counties are rural, and the data show that counties with a larger share of African Americans have been especially hard hit by these losses.[64]

Losing community banks means we are losing crucial institutions of economic growth, stability, and prosperity, especially in rural America. People often say that the problem of banking consolidation is that we have created banks that are "too big to fail." But the deeper, more debilitating consequence is that these banks are too big to succeed. They are too big to succeed at making the kinds of loans that our communities need in order to grow and prosper. Our banking system is dominated by institutions that, by virtue of their vast scale, are fundamentally mismatched to the needs of the real economy.

All of this was dramatically Illustrated last year with the rollout of the Paycheck Protection Program (PPP). In some states, far more small businesses were able to secure relief loans than in others. What accounted for the difference? We analyzed the data and found a strong correlation between the number of loans issued in a state and the presence of community banks.[65] As the graph on the final page of my testimony shows, more loans were made in states where local community banks constitute a larger share of the market. By contrast, businesses located in places where the banking sector is dominated by big banks were much less likely to get relief.

The difference was stark. In North Dakota, where, owing to an unusual state policy, community banks are numerous and account for more than 80 percent of the market, nearly 19,000 small business relief loans were issued, or about 2,500 loans per 100,000 residents. At the other end of the spectrum, fewer than half as many small businesses per capita in states such as Arizona and Nevada succeeded in getting a relief loan. In these states, local banks are relatively rare and account for only a small sliver of the market.

---

[63] Institute for Local Self-Reliance analysis of data from the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

[64] Institute for Local Self-Reliance analysis of data from the Federal Deposit Insurance Corporation (FDIC).

[65] "Update: PPP Loan Data Continues to Show that Big Bank Consolidation has Hampered Small Business Relief," Stacy Mitchell, *Institute for Local Self-Reliance*, June 2020; "Report: Fewer Small Businesses are Receiving Federal Relief Loans in States Dominated by Big Banks, Stacy Mitchell, *Institute for Local Self-Reliance*, April 2020.

Our findings align with dozens of news accounts about the extraordinary efforts of community banks (as well as CDFIs and credit unions) to assist small businesses, while the biggest banks put up roadblocks and channeled relief dollars to high-net-worth clients.[66]

It's important to recognize that this dynamic didn't just play out during the pandemic. It's at work all the time. Research has linked a lack of community banks to fewer business startups, fewer firms in operation, and fewer new jobs.[67] Research shows that in both urban and rural places, where there is a strong community bank presence, there tends to be more robust economic growth.[68]

Consolidation in banking is thus reproducing and amplifying concentration across the economy, with especially harmful impacts in rural regions, communities of color, and low-income areas.

4. Policy Solutions

One crucial answer to the crisis in much of rural America is that we must restore the original purpose and vigor of our antitrust policies and break up monopolies, including Amazon. The Senate Judiciary Committee has held hearings to examine the state of antitrust policy and begun to consider legislation, including a bill by Senator Amy Klobuchar that would represent a substantial first step toward reform. Last year, the House Judiciary Committee completed a historic, 15-month investigation of monopoly power and produced a report outlining policy proposals. These proposals, which the Institute for Local Self-Reliance strongly supports, would lead to a more prosperous, equitable, and dynamic economy. The Committee is expected to consider bills based on these proposals in the coming weeks.

The other crucial answer to rural distress is that Congress needs to fundamentally restructure the banking system to create more local financial institutions and reduce the size and market dominance of the megabanks. We believe the following policy approaches are essential:

---

[66] "Banks Gave Richest Clients 'Concierge Treatment' for Pandemic Aid," Emily Flitter and Stacy Cowley, *New York Times*, April 22, 2020.
[67] "Buoyed by Public Support, Independent Businesses Report Strong Sales Growth, National Survey Finds," *Institute for Local Self-Reliance*, February 2015; "Small Business Lending by Size of Institution, 2018," *Institute for Local Self-Reliance*, May 2019.
[68] "Further Evidence on the Link between Finance and Growth: An International Analysis of Community Banking and Economic Performance," Allen N. Berger et al., *Journal of Financial Services Research*, 2004; "Challenges and Opportunities for Community Banks in Rural Pennsylvania," Victoria Geyfman and Jonathan Scott, Center for Rural Pennsylvania, January 2010.

Break up banking concentration.

Congress can do this by enacting market share caps and adopting structural separations that would limit insured banks from engaging in speculative investment activity.

Support the establishment of public banks at the local and state levels.

Congress should enact legislation along the lines of Public Banking Act (H.R.8721) to facilitate the formation of public banks by cities and states. As the experience of the Bank of North Dakota (BND) has shown, public banks greatly expand the volume of lending flowing to small businesses, in part by strengthening community banks and credit unions. North Dakota has four times as many local banks per capita as the national average in large part because of the role that BND plays in strengthening the state's local financial institutions and expanding their lending capacity. As a result, the volume of small business lending per capita in North Dakota is significantly higher than the national average.

Implement postal banking.

Congress should enact a Postal Banking program that ensures banking services are available to low-income households in rural and urban communities. With 90 percent of the zip codes lacking a bank or credit union in rural areas, a postal banking program would expand access to low-cost banking services and safeguard rural households from predatory financial services.

Enact protections for small business borrowers.

Congress should extend consumer lending protections for small business borrowers, ensuring that they receive clear and accurate information and are not subject to predatory fees and practices, particularly in dealing with online lenders.

Ensure that fintech and other online lenders are subject to the same regulatory oversight as banks.

Congress and regulators should not allow fintech lenders to have a regulatory advantage over community banks. Many of these lenders charge exorbitant interest rates and are an unstable source of capital for small businesses, especially during economic downturns.

Strengthen bank merger review.

Wall Street anticipates 2021 will be a big year for bank mergers. When Congress passed S. 2155 in 2017 directing the Federal Reserve to ease regulatory requirements for large regional banks up to $250 billion in assets, experts said the likely effect would be more consolidation among community banks.[69] Two years later, the merger between BB&T and SunTrust created the eighth largest bank in the country. To reverse this course, Congress and the regulators must stop weakening the rules that govern big banks. Furthermore, federal banking agencies and the Department of Justice (DOJ) should strengthen their bank merger policies to block further consolidation in the financial sector.[70]

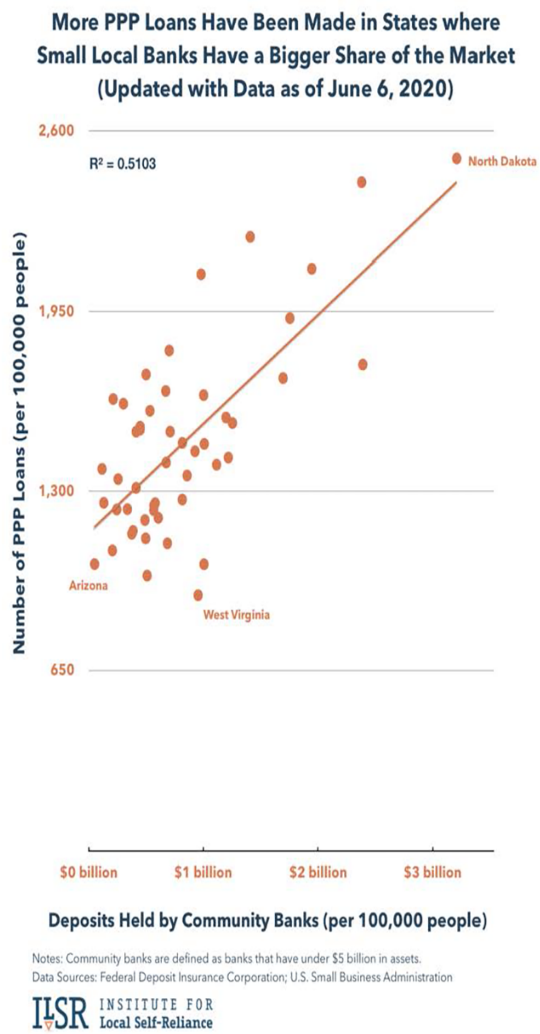
Investigate the sharp drop-off in new bank formation.

The number of community banks has declined sharply in the last decade. A significant share of the decline is owed to the fact that virtually no new banks have been created since 2009. Between 2004 and 2008, before the financial crisis, an average of about 300 commercial banks disappeared each year, mostly as a result of acquisitions. But these losses were offset by the creation of 146 new banks each year on average.[71] Congress should conduct an investigation of the drivers behind the sharp decline in new bank formation and identify the reforms needed.

Increase funding for Healthy Food Financing Initiatives

Recognizing the financing challenges faced by grocery stores, states like Pennsylvania, as well as the federal government, have established Healthy Food Financing Initiatives to provide grant and loan funds to support the development and expansion of grocery stores in underserved rural and urban communities. These programs have been a critical source of capital for the independent grocers that rural communities depend on. Congress should look to expand these programs.

[69] "SunTrust-BB&T Merger: Deregulation is Encouraging the Creation of Regional Megabanks," Americans for Financial Reform, Feb 15, 2019.
[70] See: https://www.ftc.gov/system/files/documents/public_statements/1581730/chopra_-_comment_doj_banking_merger_guidelines.pdf
[71] "Number of New Banks Created by Year, 1993 to 2018," the Institute for Local Self-Reliance, 2018.


More PPP Loans Have Been Made in States where
Small Local Banks Have a Bigger Share of the Market
(Updated with Data as of June 6, 2020)
2,600
1,950
1,300
650
$R^2 = 0.5103$
North Dakota
Arizona
West Virginia
Number of PPP Loans (per 100,000 people)
$0 billion
$1 billion
$2 billion
$3 billion
Deposits Held by Community Banks (per 100,000 people)
Notes: Community banks are defined as banks that have under $5 billion in assets.
Data Sources: Federal Deposit Insurance Corporation; U.S. Small Business Administration
ILSR INSTITUTE FOR Local Self-Reliance

PREPARED STATEMENT OF MARCIA ERICKSON

CHIEF EXECUTIVE OFFICER, GROW SOUTH DAKOTA

APRIL 20, 2021

Thank you Chairman Brown, Ranking Member Toomey, Senator Rounds from South Dakota, and Members of the Committee. My name is Marcia Erickson, Chief Executive Officer for GROW South Dakota. I started my career over 30 years ago working at GROW South Dakota and have been the Chief Executive Officer for more than half of that time. I carry a Master of Science Degree in Community Economic Development from Southern New Hampshire University. I'm also a graduate of Achieving Excellence in Community Development from Harvard's Kennedy School of Government. Some of my current affiliations are: National NeighborWorks Association Board President, Rural Local Initiative Support Corporation Rural Advisory Committee, Small Business Development Center Advisory Board (South Dakota), South Dakota Community Action Partnership, and NeighborWorks America Rural Advisory Committee. Past affiliations include Chair of the Federal Home Loan Bank Advisory Council, Langford Area Community Foundation Advisory Board Member and Founder, and Marshall County Healthcare Board Chair.

My testimony draws on all of these experiences and a diverse set of programs delivered by GROW South Dakota. GROW South Dakota is a statewide organization that provides several Federal, State, and local programs through three separate private nonprofit organizations under our branding umbrella. We assist South Dakota residents and communities in the areas of community, housing, and economic development. GROW South Dakota is a certified Community Development Financial Institution (CDFI), Community Action Agency, an exemplary rated member of NeighborWorks America, a member of the Rural Local Initiatives Support Corporation, an Opportunity Finance Network member, and we administer a Small Business Development Center.

I provide my testimony today on the state of the rural economy including challenges of rural communities with regards to housing, access to capital, community development, the role of mission-based community lenders, and challenges in underserved communities. I would like to share with the Committee some of the issues that are critical to our agency and the rural economy.

Housing

Housing is the foundation of success and is an essential and vital part of our rural communities across the country. During the pandemic, housing became even more sacred than ever before. People in rural communities, across our very rural State and this country, continue to express a need for housing. Housing needs that are requested from residents regularly are home improvements for the aging housing, infrastructure, senior housing, long-term care facilities, rental development and renovation, single-family development, downpayment assistance programs, and removal of blighted property.

Rural America has an aging housing stock that is in desperate need of repair and rehabilitation. As an example, GROW SD provides home improvement programs in eastern South Dakota. We currently have a waiting list with over 140 nonpriority households waiting for home repair or rehabilitation. If we continue with the current priority categories identified by program regulations as seniors or disabled households, at best, we will only able to reach approximately 14 nonpriority households per year. This translates into a wait time approaching 10 years to address deteriorating housing stock, adversely affecting the housing market for low-income households and the community in general.

Rural and Native American communities are both challenged to secure flexible capital to meet the needs for affordable, quality, and safe housing stock. Gap financing for home ownership is needed as the cost to build is higher, and continues to rise, and Native lands and rural areas are negatively affected by the difference between the appraised value and the actual costs. Higher costs are partially due to the fact that contractors often need to travel to rural and tribal areas due to the lack of contractors in these areas. To further impact this issue, the cost to construct, repair or renovate properties is approximately 10 percent–30 percent higher, or more, than last year for the same construction materials and supplies. Local lumber yards have further indicated lumber is approximately double, sheet goods have tripled, and material availability is very tight on many products. Materials are also being delayed due to supply chain issues, adding to the increased costs of construction and renovation According to the Board of Governors of the Federal Reserve System, 2021, there are widespread supply chain disruptions. The report further cited, "Sustained high demand and tight supply of single-family homes further pushed up prices, and builders noted ongoing production challenges, including rising costs. Cost increases were partly attributed to ongoing supply chain disruptions, temporarily exacerbated in some cases by winter weather events. Contacts generally expect continued price increases in the near term."

Across rural communities there is a shortage of housing stock and increased costs and material availability making it even more difficult to address this challenge. Homes that are available either need substantial renovation or are increasingly more expensive and out of reach for many in our community. The needed repairs and renovations include electrical, plumbing, energy efficiencies, shingles, and addressing issues of safety. The costs to provide these updates often exceed the valuation of the property leading lenders to deny loan funds to address these issues. As a result, housing stock is often left vacant or remains severely deteriorated. The lack of housing and affordable reliable broadband contributes to the lack of workforce for our small communities. The shortage of housing stock cannot be addressed without an injection of capital to construct housing that is affordable or to complete needed repairs and renovations on the homes that do exist. Home ownership on Native lands and in rural areas is also challenging. The COVID–19 pandemic has brought to light many underlying housing issues especially in South Dakota's Native communities. Overcrowded and substandard conditions have exacerbated the impact of the virus. The number of appraisers available, especially in Native American areas, is also very limited. Promoting housing stability through appraisal apprenticeships and construction internships may be part of the solution.

To further address home ownership rates on Native lands, a loss mitigation risk pool needs to be considered. Most tribal ordinances in South Dakota provide the right of first refusal to tribes to purchase units with mortgages that are in default or otherwise at risk of foreclosure. This early intervention strategy is underutilized by tribes due to a lack of resources to finance the purchase of the unit at risk. One model utilized by the Sisseton Wahpeton Oyate tribe is a risk pool of funds to mitigate the property disposition risk that lenders encounter with tribal borrowers.

Another solution to the housing challenges in rural America would be to provide funding to proven, reliable, and accountable nonprofits such as NeighborWorks America, the Community Development Financial Institutions Fund, and other national established and proven entities in order to provide access to capital through their established networks. The key is to provide the capital with flexibility in mind to get the funds working in our communities as quickly and efficiently as possible in order to better address the unique needs of the rural economy.

Mission-Based Lenders

Mission-based community lenders, such as Community Development Financial Institutions, play a critical role in reaching underserved and rural markets. These organizations are the frontline servicers that already have established a presence in rural communities. Because of the vast amount of programming that mission-based lenders have, they are a known resource in rural areas. Mission lenders are flexible in meeting communities' needs and providing financing where traditional lenders are unable. Along with making capital accessible to underserved populations and persistent poverty areas, mission lenders often pair capital loans with technical assistance, counseling to coach individuals on their small business, and provide needed housing counseling.

Policy Recommendations Mission-Based Lenders

Policy change is needed to shape the course for housing, rural business development, and access to capital for our rural communities.

The Community Development Financial Institution Fund provides opportunities to access lending capital for both housing and business. One challenge of CDFI funding, especially in rural markets that lack access to private funding sources, is the requirement of non-Fderal match. Currently, there is not a match requirement for Native CDFIs which we fully support and hope will continue into the future. However, it remains a challenge for all organizations in rural markets to meet the non-Federal match. We recommend that CDFI temporarily, if not permanently, lift the match requirement or reduce the match requirements to 50 percent for all CDFIs, especially in rural markets. Additionally, the $1 million maximum Financial Assistance award should be increased to $2 million or greater with additional flexibility in the CDFI objectives described as an increase in the volume of financial products or services, expansion into a new geographic area, new financial product or service, new development service, or new targeted area. These changes will lead to increased impact in our communities and communities across the country.

The USDA Rural Development Intermediary Relending Program (IRP) is an excellent resource for low-interest loan capital to relend to businesses throughout rural America. This program also has non-Federal match requirements in order to have a successful scoring application. These match funds continue to be restricted until the full loan is repaid to USDA Rural Development (30-year term). Even though regular principal and interest payments are made to Rural Development by the intermediary, the full match must remain restricted. Match funds should be released pro-rata with the debt as it is paid down with Rural Development consistent with loan amortization schedules. By keeping non-Federal match funds restricted for 30 years, it limits the leveraging power for rural agencies to access additional flexible capital.

The IRP program also restricts the maximum dollar amount per business loan. We support the proposed change of the maximum dollar amount per loan that an intermediary may lend to a project be increased to $400,000. The costs to start up or purchase a business in rural America has increased over time but the maximum loan limitation using IRP funding has not increased for several years. IRP funds should also be considered for intermediary lending of first mortgage loans. Mission-based lenders in rural America need long-term capital to address financing gaps in first mortgage lending..

The Small Business Administration (SBA) Microloan Program assists women, people who are low-income, veterans, minority entrepreneurs, and other small businesses in need of financing in amounts of $50,000 or less in conjunction with business technical assistance. This program provides low-interest loans to organizations to relend to businesses. It also provides a technical assistance grant to the intermediary to help businesses both pre and post-loan. Currently, SBA has waived the requirement on the percentage of preloan training and technical assistance (not more than 50 percent of grant funds) versus postloan training and technical assistance provided to borrowers. This is the type of flexibility that is needed to better assist businesses seeking to start up or expand. This waiver should be implemented permanently in regulations.

Due to the pandemic, SBA provided existing borrowers funded with SBA loan capital payment assistance. The first round included all borrowers, but the second round of CARES Act Section 1112 debt relief payments is confusing as borrowers with microloans were categorized for payments based on when their loans were closed. Loans closed before March 27, 2020, received up to a certain number of payments; loans made from March 28, 2020, through January 31, 2021, received no payment assistance; and those loans made after February 1, 2021, receive a different amount of payment assistance. It would have reduced administrative costs if it would have included all borrowers regardless of the date closed. Loans that are made under USDA Rural Development Intermediary Relending Program or the Rural Microentrepreneur Assistance Program did not receive any payment assistance although these, too, are federally funded loan programs.

Policy Recommendations Housing

Consideration should be given to modify or simplify the HOME Investment Partnership Program funding regulations. The costs to bring a home to HUD quality standards often exceeds the maximum limits. Additionally, the contractor requirements of the Davis–Bacon Act are challenging. Most small contractors do not have the administrative staff to track the reporting requirements on these jobs. Payroll needs to be certified by job and county prevailing wage every week. HOME also requires SAM.gov registration. Contractors, especially smaller contractors, have difficulty navigating the system and getting registered. We understand this requirement will not go away, however, we recommend that SAM.gov improve the registration process.

HOME multifamily compliance requirements are not aligned with other programs. Consistency across the board would be beneficial. For instance, USDA uses adjusted income for individuals and HOME uses gross income. Approval for rent level changes, even if they are within the HUD limits, is required.

The Department of Energy Weatherization Assistance Program is needed to improve energy efficiency and safety concerns in homes. However, regulations have again made it difficult to administer. A few examples with recommendations include:

1. Currently, there is a separate certification required for DOE Weatherization Auditor and Quality Control Inspector (QCI) certifications. The Auditor/QCI should be one certification as the trainings and tests are very similar. We also recommend that testing for an inspector to remain certified be increased from 3 years to 5 years as long as staff remain current with Continuing Education Units.
2. If the home is in need of electrical wiring replacement, it limits the weatherization measures that can be installed on the home. We recommend allowing elec-

trical wiring replacement and other essential home repairs under DOE if it prevents weatherization from being completed.

3. Department of Energy Weatherization Assistance Program does not allow a change of fuel sources for heating systems. Often homeowners ask to change to a different heating source/system. Oil furnaces are currently difficult to purchase and not many HVAC contractors service or install them anymore. A change to allow a new fuel source for heating systems is recommended.

As a provider of programs and services addressing Native and rural needs, I strongly support needed increases of funding and regulatory changes to address the needs of housing and access to capital in our communities, in South Dakota and across our country. Let's build, rebuild, and address the lack of quality housing for all. Housing is infrastructure. Access to capital for both housing and mission-based lending through flexible and accountable entities is needed. I urge this Committee to initiate and support large-scale investments into housing and support mission-based lenders to help our communities and economy grow for decades to come.

Thank you for the opportunity to testify on the needs and challenges we face in rural communities.

Work Cited

Federal Reserve District. "The Beige Book: Summary of Commentary on Current Economic Conditions". Board of Governors of the Federal Reserve System, 14 Apr. 2021, *www.federalreserve.gov/monetarypolicy/beigebook202104.htm.*

PREPARED STATEMENT OF AFFIE ELLIS

WYOMING STATE SENATOR, DISTRICT 8

APRIL 20, 2021

Introduction

Good morning, Mr. Chairman and Members of the Committee. My name is Affie Ellis and I am State Senator from Laramie County, Wyoming. It is a pleasure and honor to appear before you today. Thank you for inviting me to testify on the topic of our country's economy and the importance of investing in rural communities.

Wyoming is one of the largest land-based States, though we are the least populated State in the country with fewer than 600,000 residents. As you talk about rural, even frontier, communities, it's more than appropriate to focus on a place like Wyoming. Though we are small, we are mighty in the sense that we power America. According to the U.S. Energy Information Administration,[1] Wyoming produces 14 times more energy than it consumes, and it is the biggest net energy supplier among the States. Wyoming has been the top coal-producing State since 1986, accounting for about 39 percent of all coal mined in the United States in 2019, and the State holds more than one-third of U.S. coal reserves at producing mines. In 2018 Wyoming's coal mining industry provided 5,534 jobs and delivered nearly $680 million to State and local governments.[2] Wyoming was the eighth-largest crude oil-producing State in the Nation in 2020, accounting for slightly more than 2 percent of U.S. total crude oil output. The State was the ninth-largest natural gas producer and accounted for almost 4 percent of U.S. marketed gas production. Of particular note, in 2020 and numerous preceding years, Wyoming has ranked first in the Nation for natural gas production on Federal lands and second in oil production on Federal lands.[3] In 2019, the oil and gas industry delivered $1.67 billion to State and local governments and employed 19,416 people. Additionally, wind power in Wyoming has more than doubled in the last 20 years and accounted for 12 percent of the State's electricity net generation in 2020. The State installed the third-largest amount of wind power generating capacity in 2020, after Texas and Iowa. As I said, we are a small, but mighty State powering America.

Before I talk in greater detail about Wyoming's energy economy and how it supports the services Wyoming provides to its citizens, including funding K–12 education, let me introduce myself. I grew up in Wyoming. I'm proud of my State and thankful for all the opportunities it provided me. My parents are both Navajo and they grew up on the Navajo Reservation located in the Four Corners area of Arizona, New Mexico, Colorado, and Utah. Starting in the late 1800s and through much of the 1900s, our country developed policies to assimilate native children into

---

[1] U.S. Energy Information Administration.
[2] Wyoming Infrastructure Authority.
[3] U.S. Department of Agriculture, Office of Natural Resources Revenue.

the dominant non-Indian culture. Both of my parents, for example, attended boarding schools on the Reservation and eventually they were sent to the Intermountain Indian School in Brigham City, UT. My dad's father was a renowned Navajo silversmith, so my dad was taught to weld. My mom learned general home economics. When they graduated in the mid-1950s, my dad found a job working as a welder in Jackson Hole, Wyoming, where he and my mom started our family. My dad eventually started his own welding shop, which he continues to run today in his 80s, and my mom, who passed at the age of 83 just a few years ago, worked in a dry-cleaner Monday through Friday and cleaned motel rooms on the weekends. I am the youngest of four children and much of my childhood involved enjoying the beautiful outdoors of this special place and working with my mom cleaning motel rooms.

Wyoming provided me with so many opportunities. I was the first in my family to attend college through a substantial scholarship from the University of Wyoming. I eventually earned my law degree and I currently practice in the area of energy, natural resources, and Federal Indian law. My husband and I have three children who all attend public schools in Cheyenne. I don't know how it is in other States, but I appreciate that Wyoming affords people like me, who come from humble and hardworking families, the chance to serve in our Legislature and testify before all of you today.

Wyoming Is an Energy Producing State

I decided to run for the Wyoming Senate in 2016 to give back to a State that has given me so much and ensure that such opportunities are available for current and future generations. At the time, Wyoming could see on its horizon a downturn in energy production, which in turn, would impact almost all services Wyoming provides to its citizenry. Development of oil, natural gas, coal, trona, and uranium are our primary revenue raising mechanisms. Wyoming taxes and generates revenue from the mineral industry in a variety of ways, including severance tax, ad valorem tax, property tax, sales tax, personal property tax, Federal mineral royalties, and lease bonus payments. Indeed, significant revenue derived from lease bonus payments allowed Wyoming to build new schools across our State these last two decades. Unlike most States which rely on local bond revenues for such capital construction, Wyoming's K–12 education system is highly centralized. Further, counties with mineral wealth provide what we call "recapture payments" to fund school operations statewide to ensure our financing system is equitable.

Declines in mineral production have significant effects on statewide budgets as well as county and city budgets. Consequently, Wyoming has among the most volatile year-over-year revenue collection in the Nation. That revenue volatility has forced us to recognize boom years for what they are and plan accordingly for nonboom years. Wyoming saves a significant portion of the revenues derived from mineral production. For example, our constitution directs a percentage of severance tax revenue to be deposited in our Permanent Mineral Trust Fund (PMTF). Income earned from the PMTF—not the corpus of the fund itself—supports our State's General Fund. Wyoming also established a Legislative Stabilization Reserve Account (LSRA), which we often refer to as our "rainy day fund." Wyoming has one of the Nation's largest rainy-day reserves.[4] Our reserves could support operating costs of our government for more than a year. By contrast, other States only have the capability to operate a few months, some a few weeks, others a few days, and in more dire examples, only several hours, on their reserves.

Wyoming recognizes its reliance on energy production. We often hear that Wyoming "needs to diversify its economy." I agree with the need to diversify, but it's easier said than done. Tourism is our second largest industry, followed by agriculture. In recent years, we've worked to grow our technology sector. The rural nature of Wyoming provides a perfect laboratory to see how we can improve things like remote work, telehealth, and virtual learning, to name a few. Wyoming's dry cool climate, coupled with tax incentives, has made our State a destination for data centers. Too often we forget that every picture we take or video we record on our cell phones requires electronic storage space for that data. And data centers consume energy. A lot of energy. Everything we send to "the cloud" has a carbon footprint. Additionally, Wyoming has been a leader in passing blockchain legislation. We recently created Special Purpose Depositary Institutions (SPDI) (also referred to as "speedy banks") to accept digital asset deposits, or "crypto currency." On the education front, we were the first State to require our schools to provide computer science for all grade levels because we want our children to not only understand how to consume technology but have the skill set to create technology. We are trying

[4] "Budget Surpluses Are Helping Many States Boost Their Savings", Pew Trusts (March 11, 2019).

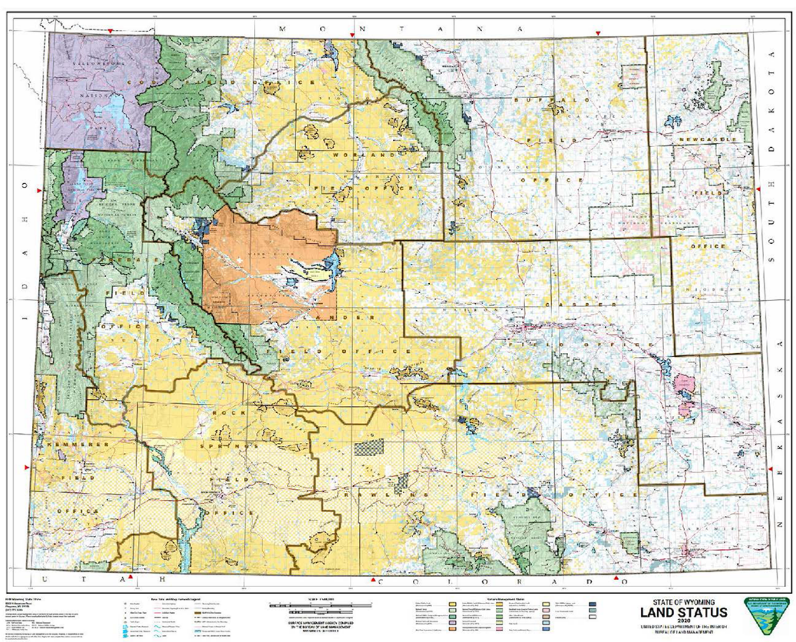
to prepare our children for jobs that don't even exist yet, recognizing that technology will continue to advance and play an increasing role in all sectors, including Wyoming's legacy industries of energy, tourism, and agriculture. Despite these advances in diversifying our economy, there is no other sector that produces the kind of revenue for Wyoming that energy provides.

Restrictions and Bans on Leasing on Lands Federally Managed Lands

Wyoming is a citizen legislature and budgets on a biennial basis. In rough numbers, we appropriate approximately $1.3 billion each year for the operation of general government and another $1.5 billion for our K–12 education budget, with more than half of that amount coming from State appropriations. With declines in energy production, Wyoming has cut departments and programs supported by our General Fund, which has impacted health care services, support for our senior citizens, and the developmentally disabled. This year alone, we just completed our legislative General Session, cutting more than $300 million from General Fund supported expenditures. Our K–12 budget has remained largely intact, but with continued assaults on domestic energy production, we are now working to resolve a $300 million per year projected structural deficit in K–12 education.

Wyoming leaders recognize the volatility of revenues derived from energy production. We know that we cannot control global markets or predict the price of oil. However, we have significant concerns when leaders within our own country attack and undermine our energy economy.

Nearly half of the surface lands in Wyoming are managed by the Federal Government through agencies such as the Bureau of Land Management (BLM), U.S. Forest Service, and National Parks Service. These lands, including the Wind River Indian Reservation and other Federal enclaves, are not subject to State property taxation, though we receive modest compensation through the Federal Payment in Lieu of Taxes (PILT) program. BLM lands support significant oil and gas leasing, including BLM lands that are intermixed with private lands in the "checkerboard," primarily located along the southern portion of our State. Below is a BLM Land Status Map.



Federal land management decisions are an ongoing source of concern for elected leaders in Wyoming because those Federal decisions impact the livelihood of our citizens and the strength of our State. Accordingly, the Legislature commissioned a study a few years ago to understand the potential impacts of an oil and gas lease moratorium and drilling ban on Federal lands. In December of 2020, a University of Wyoming energy economist released this study exploring potential scenarios that affect nine Western States, including Wyoming, New Mexico, Colorado, Utah, North Dakota, Montana, California, and Alaska.[5]

For Wyoming, the study found that "either a moratorium on new Federal leases or an outright drilling ban would constitute a significant shock to the Wyoming economy, reducing tax revenues, income, and employment."[6] The study concluded that in Wyoming, by the end of President Biden's first term, a moratorium would cause Wyoming to lose an average of 15,269 jobs annually and lose cumulatively $8.3 billion in gross domestic product (GDP), $3.8 billion in personal income, and $1.8 billion in State tax revenue.[7] The study's conclusions regarding an outright ban were even more devastating for Wyoming's economy, as we would lose an average of 18,228 jobs annually and lose cumulatively $10.3 billion in GDP, $4.7 billion in personal income, and $2 billion in State tax revenue.[8] If the ban continued for the next twenty years until 2040, Wyoming would lose cumulatively $132.9 billion in GDP, $60.1 billion in personal income, and $30.5 billion in State tax revenue and lose an average of 75,475 jobs annually from 2036 through 2040.[9]

The study also explained that a moratorium or ban on leasing would not only limit production on public lands, but would affect potential production on State, private, and Indian lands because of the checkerboard of surface lands and minerals rights across the West. In other words, adjacent lands not directly covered by a Federal moratorium or ban can become isolated and non-Federal oil and natural gas resources may be stranded when Federal access is denied.

In addition to examining the financial impacts, the report also shed light on the relative costs of achieving reductions in greenhouse gas emissions with a moratorium on Federal oil and gas leases. The report stated, "Even if in the unlikely event a leasing moratorium or a drilling ban were to reduce emissions, they would be achieved at great cost. There are many cost effective technologies and strategies to reduce greenhouse gas emissions. Restricting development of oil and gas on Federal lands is not one of them."[10] Indeed, Wyoming has invested and continues to invest in alternatives to offset carbon emissions. We opened the Wyoming Integrated Test Center in May of 2018 to provide a space for researchers to test carbon capture, utilization, and sequestration.[11] Further, Wyoming Governor Mark Gordon recently joined other governors in sending a letter to Members of Congress urging support for the SCALE Act which would provide low-income loans and grants to build out a transportation network for carbon, similar to Government support for water or highway infrastructure development.[12]

Wyoming cares deeply about out natural resources. As the Chairwoman of the Senate's Travel, Recreation, Wildlife and Cultural Resources Committee, I can tell you that Wyoming works to find the right balance of supporting our energy industry with conserving our natural resources. For example, Wyoming was a leader among Western States in developing a Sage-Grouse Conservation Strategy to ensure energy and other development projects avoid and minimize impacts in core and noncore sage grouse habitat areas to protect these species well in advance of an Endangered Species Act listing.

Wyoming established a Wildlife and Natural Resource Trust Fund (Trust) which set aside more than $115 million in its corpus to support projects that enhance wildlife, such as building wildlife overpasses and underpasses to prevent and reduce vehicle collisions. This effort brings industry, conservation groups and other stakeholders together. Since 2006, the Trust has funded 538 proposals and allocated $59 million in on-the-ground projects.[13]

We care about our wildlife and our environment. We hunt, fish, mountain bike, hike, camp, kayak, and paddle board. We snowmobile, ski, and snowshoe. We gaze at stars that city folks cannot see because of light pollution. We breathe the cleanest air and we can spend days exploring Wyoming's wilderness without seeing another soul. We not only enjoy these natural wonders on our own but recognize that people from all over the world travel to experience our beautiful State, home of Yellowstone, the country's first national park, and Devil's Tower, the country's first na-

[5] "The Fiscal and Economic Impacts of Federal Onshore Oil and Gas Lease Moratorium and Drilling Bank Policies", Dr. Timothy J. Considine, Professor of Energy Economics, School of Energy Resources, University of Wyoming (Dec. 14, 2020).
[6] Id. at 17–18.
[7] Id. at 16–17, 44.
[8] Id.
[9] Id. at 16–17.
[10] Id. at xi.
[11] Wyoming Integrated Test Center.
[12] "Wyoming Governor Calls for Federal Support for Carbon Capture", *Casper Star Tribune* (Apr. 6, 2020) (access to the letter included in the link).
[13] Wyoming Conservation Legacy.

tional monument. During the widespread closures due to COVID–19 last year, Wyoming saw dramatic increases in places like our State parks. People across this country were reconnecting with nature and we were proud that they came to Wyoming. Our State is a wonderful example of how conservation of our natural resources can and does coexist with robust domestic energy production.

You can imagine how we felt on January 20, 2021, when the U.S. Department of Interior (DOI) announced Secretarial Order No. 3395, a two-page document which called for an immediate 60-day suspension of new oil and gas leases and drilling permits for U.S. lands and waters.[14] Think of your State's number one industry and imagine receiving an undebated Executive order that contradicts numerus Federal statute coming from Washington, DC, which would hurt not only that industry and the men and women employed in that sector, but the revenues it provides to fund your schools, roads, and health care programs. The Order is akin to banning corn growth in Iowa, banning rubber and plastic manufacturing in Ohio, or banning gaming in Nevada. Although the initial 60 days have passed, the moratorium has been extended by the Department of the Interior pending a "review and reconsideration" of leasing practices.[15] Our State is gravely concerned that this moratorium will be extended indefinitely and that the current Presidential Administration will also impose an outright ban on all oil and gas drilling on Federal lands.

Our Governor filed a lawsuit in the Federal District Court of Wyoming which explains how the halt on new oil and gas leases on Federal lands violates the National Environmental Policy Act, the Administrative Procedure Act, the Mineral Leasing Act and the Federal Land Policy Management Act.[16] The lawsuit asks the court to require the BLM to resume quarterly oil and gas lease sales, which have been suspended since the order was signed. Our Governor has rightly pointed out that our world will continue to need and use oil and gas for the foreseeable future. The question is whether those resources will be produced under the environmental safeguards in place on Federal lands in Wyoming, or in other countries which do not have strong environmental regulations.

As I mentioned, the Wind River Indian Reservation, home to the Eastern Shoshone Tribe and Northern Arapaho Tribe, is located in central Wyoming. On February 22, 2021, the Northern Arapaho governing body sent a letter to the Department of the Interior to express its opposition to leasing moratorium because although tribes themselves are exempt from the moratorium, the impact on Wyoming impacts tribal members who are also citizens of our State. Reductions in State services affect tribal members, including native children attending Wyoming public schools funded by the State. The Northern Arapaho also expressed support for the nomination of Secretary Deb Haaland, who is the first American Indian to serve at the secretarial level of a Presidential Administration. As a Navajo woman, it is inspiring to see a native sister serving in this capacity. Unfortunately, this remarkable milestone of having an indigenous woman serve as an Executive cabinet official has been clouded by the moratorium because it threatens the livelihood of thousands of hardworking families in Wyoming and in New Mexico, Secretary Haaland's home State. I hope we can reverse course.

As Wyoming continues to navigate its way out of these incredibly challenging economic times, we appreciate your willingness to support policies to promote economic recovery in rural places like Wyoming. As the U.S. Senate considers not only what the Federal Government should do to help rural America, it should discuss what the Federal Government should not do. Wyoming needs you to understand how Executive orders, signed with a stroke of a pen without congressional approval, can literally devastate our State's economy. We want the freedom, stability, and support from our Federal leaders to invest in ourselves.

Thank you for the opportunity to present this testimony to you today.

PREPARED STATEMENT OF KATHLEEN SGAMMA

PRESIDENT, WESTERN ENERGY ALLIANCE

APRIL 20, 2021

Chairman Brown and Ranking Member Toomey, thank you for the opportunity to testify today. I'm delighted to appear before the Committee to talk about how the

[14] U.S. Department of the Interior Secretarial Order no. 3395 (Jan. 20, 2021).
[15] U.S. Department of the Interior Memorandum (Mar. 19, 2021); Executive Order 14008, Tackling the Climate Crisis at Home and Abroad, at Section 2078 (Jan. 27, 2021).
[16] Wyoming v. Haaland, CV 21-00056, Petition for Review of Final Agency Action (March 24, 2021).

oil and natural gas industry is part of an economy that works for everyone and invests in rural communities, particularly in the West.

Western Energy Alliance represents about 200 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in the Rocky Mountain West. Alliance members are independents, the majority of which are small businesses with an average of 14 employees.

Because the West is predominated by Federal lands and lacks any major oil and natural gas production areas that do not contain some Federal mineral estate, we are the leading trade association on public lands issues for the industry. With few exceptions Federal oil and natural gas activities take place in rural areas. Ours is the primary industry supporting rural areas such as the Permian Basin in eastern New Mexico, the Uinta–Piceance Basin straddling the Utah/Colorado border, the Powder River Basin in northeastern Wyoming, and the Williston in western North Dakota.

The American oil and natural gas industry is proud to be an integral part of an economy that works for everyone. We generate $1.3 trillion in economic activity annually, and sustain 10.3 million American jobs, both directly and indirectly.[1] A large portion of the direct jobs are in rural communities. We have saved consumers hundreds of billions of dollars by increasing production and making energy more affordable.[2]

Besides investing in rural communities and creating jobs, we also develop the mineral resources of rural land and mineral owners, who are ordinary citizens mostly of otherwise modest means. The industry generates over $21 billion in royalties to individual mineral owners, further stimulating the economies of rural communities.[3] The Bureau of Indian Affairs reports that Navajo mineral owners receive about $96 million annually in royalties.[4] These royalties sustain 21,000 mineral owners and their families in an impoverished region plagued by high unemployment. As such, the oil and natural gas industry furthers environmental justice goals in otherwise disadvantaged rural areas.

Conversely, President Biden in just the first week of his term destroyed thousands of jobs and economic opportunity in rural areas. I provide details below regarding the revocation of the Keystone XL pipeline permit and the ban on Federal leasing, which together will kill up to 145,700 jobs and $15.8 billion in economic activity this year alone, mostly in rural areas. Further, these two policies will deprive rural communities of their share of $3.1 billion in government revenues for vital services this year such as education, infrastructure, public health, safety, and COVID recovery. The policies also put at risk $2.8 billion in conservation funding sourced almost exclusively from the oil and natural gas industry. This committee could ensure investment in rural communities that works for everyone simply by urging President Biden to reverse these policies.

Keystone XL Pipeline

The cancelation of the Keystone pipeline elicited this statement from North America's Building Trades Unions (NABTU) President Sean McGarvey: "Environmental ideologues have now prevailed, and over a thousand union men and women have been terminated from employment on the project."[5] The environmental lobby indeed has compelled another decision that is bad for the environment and public safety, as transporting oil by pipeline is safer and has fewer greenhouse gas emissions than transporting by rail and truck.

Besides the immediate loss of 1,000 union jobs, indirect jobs in hotels, restaurants, supply stores, and other small businesses in rural areas along the route through Montana, South Dakota, and Nebraska will be lost. TC Energy signed $1.6 billion in contracts with suppliers that would have supported up to 11,000 jobs in 2021 had it not been for President Biden's action.[6] That investment will not be eas-

[1] "Impacts of the Oil and Natural Gas Industry on the U.S. Economy in 2015", PWC on behalf of the American Petroleum Institute (API), 2017.

[2] "The Impacts of Horizontal Multi-Stage Hydraulic Fracturing Technologies on Historical Oil Production", International Oil Costs, and Consumer Petroleum Product Costs, ICF International on behalf of API, Oct. 30, 2014.

[3] "Billions in Gas Drilling Royalties Transform Lives", AP, January 27, 2013.

[4] Final Audit Report: Bureau of Indian Affairs' Federal Mineral Office, Office of the Inspector General, U.S. Department of the Interior, February 3, 2017.

[5] North America's Building Trades Unions Statement on KXL Pipeline Cancellation Announcement, January 21, 2021.

[6] TC Energy Awards More Than $1.6 billion in American Contracts to Build Keystone XL, Project to Create Over 8,000 Union Jobs in 2021

ily replaced in these States, and certainly not with vague promises of green jobs that have yet to materialize.

Federal Onshore Leasing Ban

Likewise, the leasing ban on Federal lands and waters signed on January 27th will kill jobs and economic opportunity in rural areas of the West and coastal communities along the Gulf of Mexico.[7] Many rural counties with majority Federal land ownership would be devastated by a complete ban on Federal oil and natural gas. By losing their economic base, previously sustainable rural communities become newly disadvantaged. And the jobs lost would impact blue-collar jobs held by a diverse workforce.

The ban on onshore leasing alone will kill 32,700 jobs this year, growing to 58,676 jobs destroyed annually by the end of President Biden's term.[8] Similarly, $4.95 billion in Gross Domestic Product (GDP) and $1.3 billion in tax revenue lost in the first year will grow to $33.5 billion and $8.3 billion lost, respectively, by the end of his term. The economic impact will be felt primarily in rural communities in the eight Western States that represent over 97 percent of Federal onshore oil and natural gas production.

Although the ban is characterized as a "pause" on just new leasing, the Executive order directs a wide-ranging analysis of all Federal oil and natural gas exploration and production activities, not just leasing.

The comprehensive review will be a years-long analysis with the ultimate goal of stopping or at least severely curtailing all oil and natural gas development on new and existing leases. If taken to the ultimate goal of banning all Federal onshore oil and natural gas, by 2040 annual job losses would be 351,554 and the cumulative losses over 20 years would total $300 billion in wages, $670.5 in GDP and $159 billion in State tax revenues. Rural communities in the West will bear the brunt as funding for education, roads, public safety, and other vital services dries up.

The impacts of the President's leasing ban accumulate quickly in the first year because of the complex nature of Federal development and the interlocking land and mineral ownership of the West. The leasing ban is already affecting existing projects awaiting adjacent leases. It will affect Indian, State, and private horizontal wells that cannot avoid Federal minerals that lie along their laterals. New Federal leases are necessary to move forward with projects on existing leases in both these common situations. By isolating adjacent lands, a blanket Federal leasing ban affects development of tribal and Indian allottee lands, despite the reassuring statement that the "order does not restrict energy activities on lands that the United States holds in trust for Tribes." Companies cannot efficiently develop pockets of tribal and Indian minerals isolated amongst Federal lands, and the energy tribes that wish to develop their oil and natural gas resources will be negatively impacted. Depriving the energy tribes of their primary source of economic activity is contrary to environmental justice goals and ensuring a fair economy that works for everyone.

Duchesne County, Utah, is a good example of a western rural community that will be adversely affected. The county is the size of Rhode Island and home to 20,000 people. Its land surface is comprised of 65 percent Federal and 18 percent Uintah and Ouray Indian Reservation.[9] The county and Ute Indian Tribe rely heavily on oil and natural gas development, which is why both came out strongly in support of oil and natural gas development on Federal and tribal lands.[10]

There are similar rural counties across the West that have a majority of public lands and a similar reliance on oil and natural gas, such as Rio Blanco, Colorado (75 percent Federal lands, 85 percent county revenue from oil and natural gas),[11] and Sweetwater County, Wyoming (90 percent of the budget comes from fossil fuel taxes.)[12] Rural communities in the Permian Basin of eastern New Mexico and the San Juan Basin in the northwest will likewise bear a heavy economic cost if the leasing ban remains in place. Because 63 percent of New Mexico's production is Fed-

[7] Executive Order 14008 on Tackling the Climate Crisis at Home and Abroad, January 27, 2021.

[8] "The Fiscal and Economic Impacts of Federal Onshore Oil and Gas Lease Moratorium and Drilling Ban Policies", Dr. Timothy J. Considine, University of Wyoming on behalf of the Wyoming Energy Authority, December 14, 2020.

[9] "Duchesne County Resource Assessment", USDA Natural Resources Conservation Service, August 2005.

[10] See the Duchesne County Commission resolution and Ute Indian Tribe letter available on our Western Voices page.

[11] Testimony of Rio Blanco County Commissioner Shawn Bolton before the House Committee on Natural Resources, April 20, 2016.

[12] "Facing a Reckoning, Wyoming Wrestles With a Transition From Fossil Fuels", NPR, February 10, 2021.

eral and the State stands to lose $709 million in education funding from just a 10 percent decline in production, Governor Michelle Lujan Grisham has opposed the leasing ban.[13]

Federal Offshore Leasing Ban

Although Western Energy Alliance represents the landlocked Rocky Mountain West, I point the Committee to a study by the National Ocean Industry Association (NOIA) that finds the offshore leasing ban will kill 102,000 jobs, $9.2 billion in GDP, and $1.8 billion in government revenue annually.[14] Further, $300 million that would otherwise go in the Land and Water Conservation Fund (LWCF) will be lost. Offshore oil and natural gas royalty and leasing revenue is the sole source of revenue for the LWCF.

Conservation Funding

Conservation is an impact that I do not believe President Biden was advised of before he signed the order banning Federal leasing. Under the Great American Outdoors Act (GAOA) passed by Congress in an overwhelming bipartisan fashion last summer, $1.9 billion annually, predominantly from Federal oil and natural gas leasing and royalty revenue, is available for conservation and infrastructure in national parks, national wildlife refuges, Bureau of Land Management lands, and Bureau of Indian Affairs schools. The act also permanently funds the LWCF to the tune of $900 million annually for the first time in its 56-year history.

Since the Federal oil and natural gas program is almost exclusively the source of this funding, President Biden is risking $2.8 billion annually for national park and public lands conservation and infrastructure. That funding could support 108,364 jobs in rural communities near national parks and other public lands across the entire country.[15] Interior Secretary Haaland just announced the distribution of $1.6 billion this year from GAOA funds,[16] including to State recipients that do not contribute oil and natural gas royalty revenue:[17]

- Virginia—$247.5 million
- North Carolina—$153.8 million
- New York—$50.5 million
- Washington—$50.3 million
- New Jersey—$28.3 million
- Massachusetts—$25.4 million
- Oregon—$12.5 million

Western Energy Alliance urges the Committee to help us convince the President to overturn these policies that disproportionately impact rural communities in the West. We ask that you also consider the conservation impact across the entire country. Thank you.

[13] Governor Lujan Grisham's letter to President Biden, March 15, 2021.

[14] "The Economic Impacts of the Gulf of Mexico Oil and Natural Gas Industry5", Energy & Industrial Advisory Partners on behalf of NOIA.

[15] "Restoring Parks, Creating Jobs", The Cadmus Group on behalf of Pew Charitable Trusts, June 2019.

[16] "Interior Invests $1.6 Billion To Improve Infrastructure on Public Lands and Tribal Schools", Department of the Interior Press Release, April 2, 2021.

[17] "National Park Deferred Maintenance Needs", The Pew Charitable Trusts, November 11, 2020.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM WILLIAM J. (BILL) BYNUM

Q.1. In your written testimony, you noted your support of the Congressional Review Act resolution to reverse the OCC's "True Lender" rule. Can you please describe the ways in which that rule, if allowed to go into effect, would impact the communities your institution serves?

A.1. Given the experiences of our members, the OCC "true lender" rule if allowed to go into effect would add to the burdens of high-cost lending in our region. In all five Deep South States, high-cost lenders, such as payday and car title lenders, are already saturating our communities. For example, in 2017 in Tennessee, there were over 1,200 payday loan storefronts, more than McDonald's and Walmart locations combined.[1] In terms of fees drained by payday and car title lenders, Mississippi, Alabama, Louisiana, and Tennessee are in the top 10 States, and high-cost lenders drain more than $1.6 billion every year from low-income borrowers in these four States.[2]

The rule would facilitate lenders' evasion of Arkansas' voter-affirmed Constitutional interest rate limits of 17 percent, a protection which saves over $137 million in year in fees otherwise drained by high-cost lenders.[3] The benefits of Arkansas's law are documented in a recent report about how borrowers are faring several years after the enforcement of the rate cap. As one person said, they are doing "[m]uch better financially.[4] You don't continue to repeat the vicious cycle."[5] Beyond Arkansas, other State law protections in our region are at risk, such as but not limited to, Louisiana's rate cap for consumer installment loans. In recent years, payday lenders and high-cost lenders have made attempts to move legislation that would undue these caps in Arkansas and Louisiana, but thankfully, these efforts have failed to gather the support needed by the respective State legislatures to come to fruition. The OCC must not override the policy decisions of the States as it is doing with this rule.

HOPE's concerns about the harms of these loans are not hypothetical. HOPE members have been trapped by loans facilitated by rent-a-bank partnerships, putting their economic success in jeopardy and thus frustrating our mission to build wealth among low-income communities and communities of color in the Deep South. From our members' experiences, at least three key themes of harmful lending practices emerge:

- Despite claims to the contrary, rent-a-bank loans are going to people who already have credit.

[1] Metro Ideas Project, "Fighting Predatory Lending in Tennessee", 2017 *https://metroideas.org/projects/fighting-predatory-lending-in-tennessee/*.

[2] Center for Responsible Lending, "Payday and Car-Title Lenders Drain Nearly $8 Billion in Fees Every Year", April 2019, *https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-statebystate-fee-drain-apr2019.pdf*.

[3] Arkansas Constitution of 1874 Amendment 89, 3. Maximum interest rate on other loans. *https://codes.findlaw.com/ar/arkansas-constitution-of-1874/ar-const-amend-89-sect-3.htm*.

[4] Center for Responsible Lending, "Shark-Free Waters: States Are Better Off Without Payday Lending", April 2019, *https://www.responsiblelending.org/research-publication/shark-free-waters-states-are-better-without-payday-lending*.

[5] Southern Bancorp, "Into the Light: A Survey of Arkansas Borrowers Seven Years After State Supreme Court Bans Usurious Payday Lending Rates", May 2, 2016, *https://banksouthern.com/sbcp/into-the-light/*.

- Rent-a-bank loans are deepening people's financial burdens, not relieving them.
- There is a clear disregard for borrowers' ability to repay, evidenced either by making new loans when someone is already struggling with another and repeat relending or refinances.

These harms are neither exclusive nor exhaustive. We hear firsthand from our members and people in the communities where our branches are located about the troubles caused by unaffordable high-cost loans, such as difficulty paying other bills, the psychological stress caused by unaffordable debt, and the subsequent inability to build wealth in the future.

The devastating financial consequences of loans made via the rent-a-bank arrangements would be troubling for anyone, but they are particularly pronounced in the Deep South, where economic inequality is deeply entrenched and persistent poverty is prevalent. The five States of our region all have higher rates of unbanked and underbanked populations than the national average. The high-cost loans that will occur through the OCC "true lender" rule will only serve to increase these rates as people are exposed to practices that ultimately damage their financial standing.

Q.2. In response to questioning from Chairman Brown, you spoke of the "devastating rules put in place by the OCC" related to the Community Reinvestment Act. Please describe how this current rule would impact access to credit for families of color and what improvements can be made as the agencies revisit the CRA rulemaking in the coming months.

A.2. The Community Reinvestment Act (CRA) has long been a vital, though imperfect, tool for lessening financial service gaps in low-income communities, rural communities, and communities of color in the Deep South. The ability to attract and leverage CRA-accountable investment has been critical to HOPE's work on behalf of to support underbanked people and communities. Building on this experience, HOPE's recommendations focus on significantly increasing lending, services, investment and accountability by banks in meeting the financial service needs of rural, high poverty areas.

The OCC's final CRA rule in the totality of its parts, essentially moves the CRA—and economic opportunity for our communities—further out of reach in the Deep South communities we serve. The change to dollar value rather than number for measuring community development activities will incentivize fewer, larger projects potentially reducing the smaller, more intensive investments that Deep South communities so often need. This, combined with a multiplier and a low threshold for Community Development Activities would actually result in fewer CDFI investments. A proposed balance sheet evaluation, would allow banks to count investments that are already on their books, year after year, with little regard to recent or new investments over time.

A reduction of bank investments will result in a significant reduction of capacity for CDFI credit unions, loan funds, and banks to lend in low-income communities and communities of color, particularly those not reached by banks. CRA-motivated bank investments are a significant source of CDFI capital. To understand the importance of bank investments in CDFI capitalization, HOPE analyzed information reported by CDFI Fund awardees to the U.S. Treasury. Based on HOPE's analysis of CDFI Fund Awardees from 2015 to 2017, bank investments accounted for nearly 20 percent of total capitalization—essentially $1 out of every $5 dollars of capital—compared to philanthropy which accounted for about 2 percent.[6] CRA-motivated investments by banks into CDFIs are vital; however, the benefit of this capital is not evenly or equitably shared. In FY2017, there were 315 CDFI Fund awardees. Even though minority-owned CDFIs accounted for 27 percent of these CDFIs, they held only 11 percent of the total $34 billion in bank-infused capital held. White-led CDFIs, accounted for 66 percent of CDFI Fund awardees, and held 89 percent of that bank-infused capital.[7]

Another troubling element of the OCC rule is the use of deposit-only thresholds to determine new assessments areas beyond the banks' physical location. HOPE's analysis has shown that the deposit-only metric will bypass already underserved communities, such as persistent poverty communities and communities of color, thereby, again, reducing bank incentive for investment in these areas. By their very nature, low-income communities have very little money and therefore very few deposits. The small Delta town of Itta Bena, Mississippi, where HOPE is the only depository institution, provides a good example. Itta Bena has a 42 percent poverty rate, median income of about $20,000, and 91 percent of its residents are Black. HOPE estimates the total deposit potential in Itta Bena is approximately $1.1 million. It will be nearly impossible for such areas to meet a deposit-based threshold to qualify as a new assessment area under the OCC's rule.

Ultimately, the OCC's overhaul of the CRA will move this tool for incentivizing bank investment in distressed communities further out of reach of the most financially distressed places in the Deep South, ultimately widening existing racial and economic inequality. HOPE supports the Congressional Review Act and other efforts to roll back the OCC's CRA rule.

By contrast, as described further in HOPE's comments to the Federal Reserve Board of Governor regarding its CRA proposal, a reformed CRA should explicitly state and work towards an objective of significantly expanding—as much as three fold—bank lending, services and investment in low-income communities and communities of color.[8] In addition to increasing the amount of bank activity, a reformed CRA must also ensure these investments actually reach people and communities that have both been historically un-

[6] Bill Bynum and Diane Standaert, Comments to the OCC, Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket ID OCC-2018-0008, RIN 3064-.AF22, April 8, 2020, available at *http://hopepolicy.org/blog/hope-opposes-proposed-changes-to-the-community-reinvestment-act/*.

[7] Capital held, as required to be reported to the CDFI Fund for CDFI Fund awardees, represents the amount of investment capital received from the CDFI Fund at reporting end. Investment capital includes idle capital that is available to lend and invest, deployed capital, and capital only reflected on the organization's balance sheet. CDFIs are required to designate the capital investments by source, and in this analysis, we use "cap–Bank" designation, which is capital "received by banks or other regulated financial institution." Community Development Financial Institutions Fund. "CDFI Institution Level Report Instructions CIIS 15.0". Pp. 9–11.

[8] Bill Bynum, Diane Standaert, and Sara Miller, Comments to the Federal Reserve Board of Governors, Advance Notice of Proposed Rulemaking, Community Reinvestment Act Regulations, Docket No. R-1723 and RIN 7100-AF94, Feb. 16, 2021, available at *http://hopepolicy.org/blog/hope-submits-comment-to-federal-reserves-proposed-changes-to-the-community-reinvestment-act/*.

derserved and divested of their resources. A key way the CRA can help do this is to expand assessment areas beyond banks' physical locations, and to delineate those assessment areas based on both deposit and lending activity. Another strategy incentivizes investments into designated areas of need, based on low levels of per capita mortgage and small business lending. These designated areas of need could be both inside and outside of a bank's assessment area. And, finally, the CRA should incent and guide investments into CDFIs and MDIs with strong, demonstrated track records of reaching underserved communities, particularly rural persistent poverty communities and communities of color. One way the CRA can do this is to adopt into its framework, the definition of "minority lending institutions," as defined by the Consolidated Appropriations Act of 2021.

Race should be included in the specific metrics by which banks are evaluated for CRA purposes. Race is inextricable from the CRA's history, purpose, and the "ongoing systemic inequity in credit access for minority individuals and communities." Currently, more than 98 percent of banks pass their CRA exam, despite the glaring racial and economic inequities in the banking system.

The racial wealth gap is deep, and the economic and social benefits of closing it are vast. The financial system, particularly banks' lending practices, has been a driving factor in this gap, and must play a significant role in closing it. Closing the gap in access to capital for people and communities of color is a critical pathway to closing the racial wealth gap. Lenders and communities alike will benefit from the resulting economic activity from a fairer, more robust marketplace. The CRA can be a helpful tool in guiding banks' actions to ensure they repair, rather than repeat, centuries of racial and economic inequality.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM WILLIAM J. (BILL) BYNUM

Q.1. In your testimony, you advise the Small Business Administration and banks to increase the accessibility of their programs and products to historically underserved businesses. In addition to your recommendation of increasing investment in CDFIs and MDIs, what other specific strategies and practices would you recommend to ensure SBA and bank products have more equitable reach and serve the underserved?

A.1. There are a number of things SBA and banks can to increase access to historically underserved businesses.

A few of these options include:

- Ensure redress for small businesses that did not receive the full benefit of Paycheck Protection Loans, namely Schedule C filers. As described in my written testimony, microbusinesses in which the owner is the only employer were both locked out of the PPP program during its first full week, and even once provided access received unnecessarily small loans due to underwriting guidelines requiring the use of net profit rather than gross income. This exclusion these microbusinesses in accessing PPP relief efforts disproportionately affected small businesses owned by people of color. For example, 96 percent of Black and Latino-owned businesses in the Deep South fall into this category, compared to 84 percent of White-owned businesses.[1] SBA should implement efforts to assess the scope of this inequity and seek to deploy a grant program available to these microbusinesses.

- SBA should, across all of its grant and loan programs, establish goals to ensure at least 10 percent of its capital flows to persistent poverty communities, and at a minimum evaluate the amount of loans and grants are flowing to these communities, disaggregated by rural and metro persistent poverty counties.
- SBA must do must to ensure its programs reach Black businesses, the level of lending to which is currently unacceptable. For example, in Arkansas, for example, from 2017 to 2020, just 1.5 percent in SBA 7(a) loans went to Black businesses, even though Black-owned businesses comprise 9 percent of businesses in the State.[2] Nationally, between 2015 and 2020, 28 percent of approved 7(a) loans went to minority-owned businesses.[3] However, when looking at Black businesses alone just 2.5 percent of approved SBA 7(a) loan capital went to Black borrowers ($3.7 billion out of $144 billion). These levels are woefully in adequate in light of a long-history of discriminatory and exclusionary lending practices effecting Black borrowers, communities, and businesses.
- Banks should commit to tripling their current levels of small business lending, services, and investments into historically underserved businesses, such as those owned by people of color and small businesses located in persistent poverty communities.
- Banks, and other lenders, should support the expedient implementation of the Consumer Financial Protection Bureau's rulemaking under Section 1071 of the Dodd–Frank Wall Street Reform and Consumer Protection Act. Robust and transparent data reporting by lenders about the their small business lending practices, particularly by race and gender, are critical to ensuring a fair marketplace and closing existing capital gaps for historically underserved businesses.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNOCK FROM WILLIAM J. (BILL) BYNUM

Q.1. Thank you, Chairman Brown, for holding this important hearing focused on our rural communities. I recently did a tour across rural Southwest Georgia with Congressman Sanford Bishop to visit with my farmers. At every stop, I asked these farmers about their broadband connectivity. Many attendees on this tour said their connection was either spotty or too expensive. Considering the State

---

[1] "Hope Policy Institute Analysis of Statistics for Non-Employer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S. States, and Metro Areas: 2017", Annual Business Survey Program.

[2] Precise Data Consulting, LLC, "Arkansas Small Business Access to Capital Study", prepared for Winthrop Rockefeller Foundation and Winrock International, June 2019, *https://d2yzrxf02jgvo7.cloudfront.net/files/capital?access-report-final-146-7ecf.pdf.*

[3] SBA, "Weekly Approvals Report With Data as of 09/30 for Each FY", *https://www.sba.gov/sites/default/files/2020-10/WebsiteReport-asof-20200930-508.pdf.*

overall, approximately 10 percent of Georgians live in areas where there is no broadband connection and almost 39 percent of Georgians live in an area where there is only one internet provider. Issues with broadband access and affordability prevent rural communities from fully accessing telehealth services, participating in virtual learning, and connecting to e-commerce opportunities.

Mr. Bynum you also mentioned broadband in your written testimony, referring to it as "critical infrastructure" that is connected to economic mobility. How can access to a reliable and affordable broadband connection affect the economic mobility of families in rural communities? If Congress were to make significant investments in the expansion of rural broadband, how would this impact the economic mobility of families in rural communities?

A.1. Substantial investments in broadband infrastructure will increase the financial inclusion of rural communities, both in increasing access to basic financial needs for individuals and small businesses, but also in the opportunity to create jobs and attract additional investments in to these areas.

Even before COVID, affordable high-speed internet was rural communities' lifeline to basic needs, such as education or online bill paying. This became even more essential during the pandemic. Deep South rural communities have less access than rural areas in the U.S. as a whole, thus disproportionately hindering their access to life saving services or basic infrastructure to grow their business. Table 1. Roughly 40 percent of rural residents of Arkansans, Louisiana, and Mississippi, lack the most basic level of broadband access, compared to 25 percent of rural residents nationally.

Table 1. Percentage of Population with Access to Fixed Terrestrial Broadband[4]

	% of State Population	% of Rural Population	% of Urban Population
Alabama	86.1%	69.7%	97.7%
Arkansas	77.4%	55.9%	94.4%
Louisiana	87.6%	63.3%	96.5%
Mississippi	79.6%	62.6%	97.0%
Tennessee	91.3%	77.0%	98.5%
United States	94.0%	75.7%	98.5%

This broadband gap matters for understanding the reach of financial services into these communities, underscoring the importance of bank branches and recognizing that online technology alone will not close the gaps in financial access. It also matters for assessing whether and how COVID–19 relief dollars will reach these communities, as many assistance programs, from rent relief to small business relief, require internet access to both apply for and receive the funds. Finally, given the proliferation of e-commerce and other digital enterprises, the absence of high-speed internet limits the full participation of rural communities in both the U.S. and global economy.

[4] *https://crsreports.congress.gov/product/pdf/RL/RL30719/101* (December 2017 data, minimum speed of 25 Mbps/3 Mbps).

Many low-income and rural communities have been caught in generations-long cycles of poverty and have little equity on which to build. More communities need access to prime market lending in order to sustain and build wealth.

Q.2. Please highlight some of the challenges unbanked and underbanked face as it relates to building wealth and a solid financial foundation for growth, in the absence of equity. Please include any legislative reforms that could help these communities accrue equity and a foundation for financial success.

For a host of reasons, including online and technology-enabled banking, we have seen an apparent acceleration of banking sector consolidation, and retrenchment of bank branches, leaving what is commonly referred to as banking deserts. What can we learn as we grapple with the emergence of banking deserts today, from your research into the circumstances and outcomes of those who live lived in banking deserts decades ago, enabled by Jim Crow laws?

A.2. Much of the Deep South is considered a banking desert. For example, of the 20 largest banks in the Southeast, analysis conducted by the Federal Reserve Bank of Atlanta, found that only one bank has branches in the Mississippi Delta.[5] In the absence of branches, large bank Community Reinvestment Act assessment areas fail to reach into rural communities—limiting another source of capital for redevelopment.[6] As currently structured, absent a physical location in the community, a bank has no obligation to lend or invest there. This means communities in banking deserts, such as those in the Deep South, have harder time attracting the resources needed to finance community needs such as affordable housing, hospitals, museums, or other job-creating activities. Analysis conducted by the Opportunity Finance Network underscores this phenomenon with Community Development Financial Institutions. In looking specifically at rural Community Development Financial Institutions (CDFIs), only 31 cents of every dollar borrowed by rural CDFIs came from a bank. In contrast, over half of borrowed funds from urban CDFIs came from banks.[7] Rural communities also bear the heaviest burden of bank closures and within rural communities those bank closures most likely to occur in communities with a higher share of Black residents.[8]

One natural consequence of this trend is that the Deep South is home to the highest rates of unbanked households in the country. Even though nationally, the unbanked rate is the lowest it has been since the Great Recession (5 percent), for Black households in Mississippi and Louisiana, the rate is over 20 percent.[9] Likewise, for rural communities the Deep South rate is higher than rates na-

[5] Federal Reserve Board of Atlanta, "Community Reinvestment Act: Geographies and Strategies in the Southeast", Aug. 2015, *https://www.atlantafed.org/community-development/publications/partners-update/2015/04/150824-cra-geographies-and-strategies-in-southeast* (accessed Apr. 18, 2021).

[6] Housing Assistance Council, CRA in Rural America, "CRA in Rural America", 2015, *http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1090-rrr-cra-in-rural-america.*

[7] Opportunity Finance Network, "Bank Investment Falls Short in Rural America", Feb. 2020, available at *https://ofn.org/advocacy-tools-and-fact-sheets.*

[8] Board of Governors of the Federal Reserve System, "Perspectives From Main Street: Bank Branch Access in Rural Communities", Nov. 2019, *https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf.*

[9] FDIC, "2019 How America Banks: Household Use of Banking and Financial Services", available at *www.economicinclusion.gov.*

tionally (Table 1). Notably, over 40 percent of the population in Louisiana and Mississippi's rural counties are people of color.[10]

Table 1: 2019 Unbanked Rates for Louisiana and Mississippi, by Race and Rural

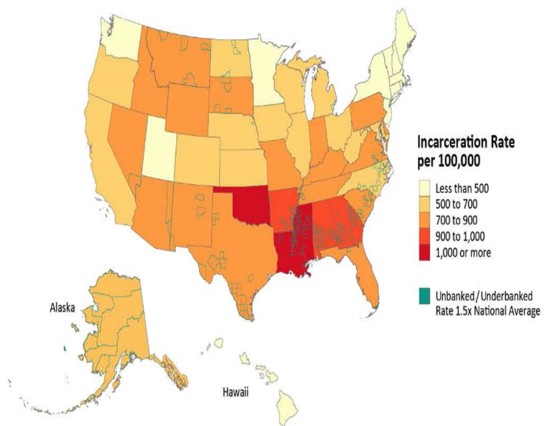
	White Households	Black Households	Rural Households
Louisiana	3.5%	24%	16.7%
Mississippi	5.5%	21%	12.6%
U.S.	2.5%	13.8%	6.2%

Source: 2019 FDIC Survey: Household Use of Banking and Financial Services

Finally, mass incarceration plays a role here too. As explored further in HOPE's recent paper, "Examining the Intersection Between Criminal Justice and Financial Services in the Deep South", four out five Deep South States are in the top 10 States with the highest incarceration rates in the county.[11] Many of these same communities already experience high rates of unbanked and underbanked households. See Map 1. As just one example of the intersection of these two systems which contribute to financial exclusion: people reentering society often do not have even the basic identification in order to open a bank account. This is either because they are not provided one upon reentry or because that identification, such as a driver's license, is taken away as a penalty for unpaid criminal justice debt.

[10] U.S. Census Bureau, American Community Survey, 2017.
[11] Calandra Davis, "Examining the Intersection Between Criminal Justice and Financial Services in the Deep South", Hope Policy Institute, Jan. 13, 2021, *http://hopepolicy.org/manage/wp-content/uploads/Criminal-JusticePaper.pdf.*

Map 1: State Incarceration Rates and County Un/Underbanked Household Rate



Source: Hope Policy Institute Analysis of Prison Policy Initiative data, "States of Incarceration: The Global Context 2018," and Prosperity Now Estimates of FDIC National Survey of Unbanked and Underbanked households (2017)

These communities face not just an absence of financial capital, but also contend with predatory lending practices, which extract it. Payday and car title lenders extract over $1.6 billion in fees annually from Deep South residents trapped in loans with annual interest rates region as high as 500 percent.[12] Rent-a-bank arrangements in which online lenders partner with out-of-State banks to subvert State consumer protection laws to make high-cost loans in the region also impose high costs on the region's residents.[13] Strong consumer protections a such as a Federal 36 percent rate-cap, repealing the OCC's true lender rule, and strong rules by the Consumer Financial Protection Bureau, will ensure support people's financial stability by halting this billion-dollar fee drain from already economically distressed communities.

As described further in my coauthored paper, "Opening Mobility Pathways by Closing the Financial Services Gap", strengthening investments into community development financial institutions (CDFIs) and establishing universal basic accounts for all Americans are cornerstones of a national strategy to ensure economic opportunity.[14] As noted in the paper,

> encouraging or requiring all financial institutions that receive Federal deposit insurance to offer all customers a

[12] Asset Center for Responsible Lending, "Payday and Car-Title Lenders Drain Nearly $8 Billion in Fees Every Year", April 2019, *https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-statebystatefee-drain-apr2019.pdf*.

[13] Hope Policy Institute, "HOPE Submits Comments Opposing OCC True Lender Rule", Sept. 2, 2020, *http://hopepolicy.org/blog/hope-submits-comments-opposing-occ-true-lender/*.

[14] Bill Bynum, Ed Sivak, and Diana Elliot, "Opening Mobility Pathways by Closing the Financial Services Gap", U.S. Partnership from Mobility to Prosperity, Feb. 2018, *https://www.mobilitypartnership.org/opening-mobilitypathways-closing-financial-services-gap*.

> "universal basic account," a free account that is simple, transparent, and does not charge overdraft or other hidden fees. The accounts would ensure that all low-income Americans have access to the financial tools and consumer protections inherent in the banking system, and they would mitigate the impact of high-cost and abusive financial practices. These safe, affordable bank accounts could save the 15.6 million Americans adults who currently lack access to such a service hundreds of dollars a year and tens of thousands of dollars over their lifetimes. This money could go toward food, housing, and other basic needs. The savings would help millions of Americans better serve as their own safety net, potentially decreasing the need for public assistance.

In short, these unbanked/underbanked rates represent opportunity gaps that, if closed can provide a pathway for economic mobility and resiliency. They signal the opportunity to savings billions in dollars of fees, and greater control of finances, and importantly a pathway for building wealth and economic opportunity in the region.

One final solution for building equity includes the expansion of Down Payment Assistance programs. Given the well-documented extent of the racial wealth gap, the widening of the gap through disparate intergenerational wealth transfers and the role of home ownership in building wealth for most Americans, downpayment assistance grants represent a proven strategy for overcoming barriers to home ownership when the structural absence of savings prevents a person of color from obtaining a mortgage. [15]

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM STACY MITCHELL

Q.1. Your written testimony mentioned the role of financial consolidation in depriving rural communities of capital and investment. Last year, the Department of Justice solicited comments on updating its Bank Merger Review Guidelines and suggested that it intended to weaken those guidelines even further by loosening the existing concentration thresholds that are used to determine whether a merger would have an anticompetitive effect in a certain geographic market.

Do you believe the current DOJ Bank Merger review process has sufficiently protected rural communities from the negative effects of financial sector concentration?

A.1. Rural communities have suffered as the financial industry has undergone seismic consolidation over the past 40 years. Consolidation has had outsized impacts in low- to moderate-income communities, including many rural communities, increasing the cost and

[15] Urban Institute "An Essential Role for Down Payment Assistance in Closing America's Racial Homeownership and Wealth Gaps", April 2021, *An Essential Role for Down Payment Assistance in Closing America's Racial Homeownership and Wealth Gaps* (urban.org).

reducing the availability of credit to farmers, small businesses, and other borrowers, exacerbating existing inequality. [1]

Survey data from the Board of Governors of the Federal Reserve System suggests that "banking customers in rural areas may be harmed if mergers in rural areas are treated more leniently," and that rural communities have reported higher costs to access financial services in part because branch closures "reduce rural consumers' choice alternatives and increase rural banks' market power." [2] The DOJ's permissive approach to bank mergers has exacerbated the loss of bank branches in rural areas and around the country.

For example, regulators including the DOJ's Antitrust Division approved the merger between SunTrust and BB&T in 2019. The merger was conditioned on the sale of 28 branches. As of 2020, however, the merged company had closed 175 branches and planned to close at least 800 branches in the coming years. [3] In March, the DOJ and bank regulators approved the merger of TCF Financial and Huntington Bancshares, conditioned on the divestment of 14 branches; those companies say they will shutter nearly 200 branches postmerger. [4]

Q.2. I agree with FTC Commissioner Chopra and Professor Kress that the current DOJ Bank Merger review processes "are woefully inadequate to protect consumers and the broader economy," particularly in rural and low-income areas, and that the current guidelines "have failed to protect U.S. consumers and businesses from the negative consequences of bank consolidation." [5]

Do you believe that the merger review process can be strengthened so that bank mergers occur only when they are in the public interest? If so, do you have any specific recommendations for ways these guidelines can be improved.

A.2. Reviews of bank mergers can and should be strengthened to ensure they serve the interest of depositors, borrowers, and the overall public. One way to help eliminate harmful mergers and slow further industry consolidation would be to lower the current deposit share cap for bank mergers. Under current law, a bank merger is barred if the combined bank would hold more than 10 percent of the country's deposits. This current cap has already allowed banks to expand to dangerous proportions. This threshold could be lowered or changed to a significantly smaller portion of GDP in order to prevent further consolidation.

The current Herfindahl–Hirschman Index screen of 1800/200 concentration ratio has not prevented banking mergers that have led to significant consumer and economic harm. This threshold could be lowered to better screen for harmful mergers, particularly

[1] See, e.g., Comment of FTC Commissioner Rohit Chopra and Professor Jeremy C. Kress to the U.S. Department of Justice, November 4, 2020.

[2] "How Do Rural and Urban Retail Banking Customers Differ?" David Benson, Serafin Grundl, and Richard Windle, *FEDS Notes*, June 12, 2020.

[3] "Back to Basics: The Principles of Bank Merger Review", Christopher E. Rhodes Jr., North Carolina Banking Institute 273 (2020)

[4] "Huntington, TCF To Close 198 Branches for Planned Merger", J.C. Reindl, *Detroit Free Press*, January 26, 2021

[5] Comment of FTC Commissioner Rohit Chopra and Professor Jeremy C. Kress to the U.S. Department of Justice, November 4, 2020.

in rural communities and elsewhere without access to robust banking competition.

Another, stronger approach would be for the DOJ should implement bright-line structural thresholds for rural banking mergers to prevent communities from losing access to financial resources through mergers.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNOCK FROM STACY MITCHELL

Q.1. Many low-income and rural communities have been caught in generations-long cycles of poverty and have little equity on which to build. More communities need access to prime market lending in order to sustain and build wealth.

Please highlight some of the challenges unbanked and underbanked face as it relates to building wealth and a solid financial foundation for growth, in the absence of equity. Please include any legislative reforms that could help these communities accrue equity and a foundation for financial success.

A.1. People who are unbanked or underbanked often must rely on high-cost, predatory alternatives, such as check-cashing outlets and high-cost online lenders. This further exacerbates poverty, and makes it impossible to build the savings and credit needed to purchase a home, obtain financing for a small business startup, or invest in education.

Policy approaches that would help communities that lack financial institutions include postal banking, more capital and support for community development financial institutions (CDFIs), and program to help more communities create credit unions. In addition, lawmakers should crack down on predatory lenders.

Q.2. For a host of reasons, including online and technology-enabled banking, we have seen an apparent acceleration of banking sector consolidation, and retrenchment of bank branches, leaving what is commonly referred to as banking deserts. What can we learn as we grapple with the emergence of banking deserts today, from your research into the circumstances and outcomes of those who live lived in banking deserts decades ago, enabled by Jim Crow laws?

A.2. While technology-enabled banking has contributed to the growth of "banking deserts," my read of the data is that the more significant driver of this trend is the decline of locally owned, community-based financial institutions, which has disproportionately affected rural, low-income, and Black and Brown communities.

Between 2006 and 2018, the U.S. lost a staggering 41 percent of its community banks. Today, there are just over 5,000 community banks and their market share stands at 17 percent. [1] According to FDIC data, nearly 1,100 counties, more than one-third of the total, now lack a community bank, up from about 650 counties in 2006. Most of these counties are rural, and the data show that counties

[1] Institute for Local Self-Reliance analysis of data from the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

with a larger share of African-Americans have been especially hard hit by these losses.[2]

In my view, the key to solving the problem of banking deserts is not to try to prod or cajole the big banks into serving communities that they clearly have no interest or motivation to serve. Instead, we should adopt policies that dramatically reduce the size and market dominance of these big banks and create a regulatory environment in which community based financial institutions can thrive.

To this end, we should reconsider the Federal policy changes in the 1980s and 1990s (including the Riegle Neal Interstate Banking and Branching Efficiency Act and the Gramm–Leach–Bliley Act) that led to consolidation and the decline of community banks.

While the Dodd–Frank Act of 2010 purported to curb the excesses of an outsized financial industry, the law in many ways did the opposite. Dodd–Frank had important regulatory successes, including the Consumer Financial Protection Bureau, but it essentially doubled-down on the policy status quo. It failed to seriously challenge big bank power. It also created new compliance burdens for community banks, credit unions, and bank startups, including lengthy quarterly regulatory filings. Since the passage of Dodd–Frank, the market share of the megabanks has swelled.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNOCK FROM MARCIA ERICKSON

Q.1. Thank you, Chairman Brown, for holding this important hearing focused on our rural communities. I recently did a tour across rural Southwest Georgia with Congressman Sanford Bishop to visit with my farmers. At every stop, I asked these farmers about their broadband connectivity. Many attendees on this tour said their connection was either spotty or too expensive. Considering the State overall, approximately 10 percent of Georgians live in areas where there is no broadband connection and almost 39 percent of Georgians live in an area where there is only one internet provider. Issues with broadband access and affordability prevent rural communities from fully accessing telehealth services, participating in virtual learning, and connecting to e-commerce opportunities.

You noted in your testimony, "The lack of housing and affordable, reliable broadband contributes to the lack of workforce for our small communities." How would our rural workforce be strengthened by ensuring that reliable broadband is both accessible and affordable? What would this connectivity mean for the prosperity of our rural communities?

A.1. Reliable and affordable broadband is critical to our rural communities. Our family farming operation depends on broadband for a successful season. Broadband is essential to follow and evaluate commodity markets, make production decisions, and become more efficient. Access to reliable internet is also essential for field imagery to reduce pesticide and insecticide use. Broadband helps farmers achieve optimal yield and maximize their profits.

---

[2] Ibid.

Broadband is also critical to the success of our businesses in rural America. My daughter-in-law opened an online boutique that has allowed her to be at home with her young children rather than commute one hour to work. This business would not have been possible without broadband. All sales, marketing, and accounts receivable are fully based on the internet. She does not have a physical storefront. In a community with a population of 300, this would not have been possible without access to internet. Yet, many communities and individuals in rural America do not have this opportunity due to the absence of broadband.

As the Chief Executive Officer of GROW South Dakota, a statewide nonprofit, that provides community, housing, and economic development across the State, our company also relies on broadband to serve our customers. For instance, when NeighborWorks America provided us downpayment assistance funds, our organization was able to provide assistance to over 200 individuals throughout the State in a very short time period via online applications. When a customer did not have access to broadband, we provided an alternative method of applying for assistance. This gap in access needs to be closed to give every person fair access to opportunities.

Many of today's value-added agricultural industries prefer to locate in our segments of Rural America, due to the availability of livestock or crops, as well as quality land. In most cases, such value-added industries are located in wide-open geographic areas, which may lie within gaps of broadband service, or in difficult to serve topography. This also exacerbates the housing challenges of our region in addition to technology challenges. The areas that still need available and reliable broadband infrastructure are the most difficult to install and serve.

South Dakota Governor Noem reported that "half of South Dakota's counties have rural areas where one in four people do not have adequate internet access. Some counties consist of rural areas where half the residents don't have reliable access" (Yost, 2021, para. 2). Not having reliable internet access affects businesses greatly. Governor Noem stated that we must "close the broadband gap to ensure South Dakotans can work and hire locally while selling globally" (para. 2). This is true across the United States. We must invest in broadband to further our workforce opportunities and to remain competitive as a Nation.

In a written comment to the Federal Communications Commission, Marietta Rodriguez, President and CEO of NeighborWorks America noted that the NeighborWorks network have focused together on broadband needs in affordable multifamily homes and in communities lacking broadband access—particularly through our network's Rural Initiative. Large swaths of rural areas, tribal areas, and areas of persistent poverty lack access to reliable high-speed internet (Rodiguez, NeighborWorks America President and CEO, 2021). As part of the advisory committee for the NeighborWorks Rural Initiative, I am fully aware of the challenges of broadband access throughout rural areas of America.

Federal sources are needed to help close the broadband gaps and provide fully accessible and affordable means for farm operations, business growth and success, nonprofits, and also areas of telehealth, and education. For our communities to be fully competitive, advancements in broadband are needed. Broadband is necessary to all, and high speed access that is affordable is critical to providing services in rural America. Now is the time to make broadband investments.

Q.2. Please highlight some of the challenges unbanked and underbanked face as it relates to building wealth and a solid financial foundation for growth, in the absence of equity. Please include any legislative reforms that could help these communities accrue equity and a foundation for financial success.

A.2. Rural and minority communities face challenges as it relates to building wealth for all residents but especially for the unbanked or underbanked. Unbanked individuals need access to affordable and mainstream financial systems to build wealth. One area that is directly related to building wealth is home ownership. However, current market conditions have put home ownership out of reach for many.

In a May 14, 2021, article on SDnewswatch.org, Danielle Ferguson reported, "First-time homebuyers or those looking for properties at an affordable price have found themselves in bidding wars with others willing to pay $20,000 to $60,000 above list price. Everyone is competing for a smaller pool of homes on the market, and some South Dakota homes are selling in less than two days" (Ferguson, 2021, para. 3). This frenzy has created frustration for many would-be homeowners, but especially for those that lack access to traditional lending institutions.

Without prior banking relationships, low to moderate income individuals seeking home ownership have even less of a chance for home ownership with the current housing market.

Ferguson further states, "The frenzied market is pushing up home prices and making it more difficult for low- to medium-income residents to achieve home ownership. The $45,000 average yearly income in South Dakota cannot compete with the purchasing power of a six-figure, out-of-State salary. Those longtime residents who normally would be able to purchase a home are forced to remain in rental properties, further putting a limit to the available rental units for families in need of affordable housing" (para. 5).

The proposed Neighborhood Homes Investment Act (NHIA) would help address some of the gaps. However, as much flexibility as possible is necessary with the implementation of this initiative. The areas that are eligible for assistance need to be widened and available to individuals with low to moderate income regardless of location or census tract. The NHIA information states, "In markets where the 'numbers don't work'—e.g., it costs more to build or rehab a house than the property can be sold for—owners will walk away from homes that are no longer habitable and can't be refinanced or sold. Without a financing tool to close the value gap, even the most resourceful housing developers cannot (and will not) be able to address the thousands of vacant R-1 zoned properties that burden distressed neighborhoods" (Neighborhood Homes Coalition, n.d., para. 4). This is exactly what South Dakota is experiencing across the State and in every community.

Another recommendation is to continue support of accountable Community Development Financial Institutions (CDFIs) by providing continued and greater access to low-cost and longterm capital or grants. CDFIs are often the first stop for unbanked or underbanked. These investments revolve, with mission at the forefront, to provide a means for affordable, quality, and safe housing. Access to mission-based lenders is even more critical as the current market has caused an even greater gap between the appraised value and sale cost. Costs to build are also higher in rural and tribal areas of South Dakota due to delivery costs and lack of local contractors. This gap is widened further with the current housing markets. Many communities lack the capacity to complete projects related to workforce and housing efforts, and they are unable to support economic development staff. CDFI's in these communities are able to help build the capacity of the local economic development staff and assist them in finding key resources for their needs.

A second recommendation is to provide additional access to capital to assist small businesses in rural, persistent poverty areas, and minority areas so essential capital is available to community residents. Currently, residents may need to travel long distances to purchase basic necessities. Mission based lenders, such as CDFI's, can help meet this need for access to capital, but most Federal programs require a non-Federal match which is difficult to obtain in these areas. Waiving or eliminating the match requirement for CDFIs and other nonprofit lenders would enhance the availability of lending products to those that need the capital the most. Nonprofit lenders also often pair their lending serves with free one-to-one coaching and financial education which also can help to build credit scores and promote individual financial health.

CDFI's play an important role in providing mortgage credit, small business lending, and other services to minority and low and moderate-income communities and individuals. Funding should be allocated with a focus on both rural and minority areas to help reach the underbanked. This funding should be partnered with individual financial coaching. One of the best avenues for this approach is through CDFI's that have a proven history.

Q.3. For a host of reasons, including online and technology-enabled banking, we have seen an apparent acceleration of banking sector consolidation, and retrenchment of bank branches, leaving what is commonly referred to as banking deserts. What can we learn as we grapple with the emergence of banking deserts today, from your research into the circumstances and outcomes of those who live lived in banking deserts decades ago, enabled by Jim Crow laws?

A.3. As a practitioner in the field, delivering community, housing, and economic development services, I have seen rural community lending institutions struggle to keep their doors open. Online banking is bringing change to our communities, often creating intense competition for small banks. National banks are gaining the market share from smaller banks and credit unions. There is also a growing preference for digital banking. Customers are moving their business to larger banks due to their online capabilities. Many small banks are disappearing. Part of the challenge of the disappearance of community banks is the increasing costs to technology and security, the minimum scale required for banking to be competitive, along with increasing regulation.

These challenges are creating bank deserts. These deserts are often found in areas of low-income, minority, and rural populated areas. These banking deserts, where no banks are located, are increasing. According to a Federal Deposit Insurance Corporation survey, 8.4 million households in the United States were unbanked. An additional "24.2 million were underbanked, meaning that the household had a checking or savings account but also obtained financial products and services outside of the banking system" (Federal Deposit Insurance Corporation, 2020, para. 3).

South Dakota is fortunate to be served by a system of high-quality independent community banks and a few national banks. Many are locally or regionally owned and known in our communities. Supporting our independent community banks in their roles to serve our small, remote, and geographically isolated areas is the challenge.

Losing local banking institutions creates disadvantages especially for minorities, persistent poverty areas, and rural communities. There is also lost community and personal benefit. Banking deserts limit adequate access to essential banking services similar to what Jim Crow laws brought about. Banking deserts create the same type of diminished or unequal access to essential banking and financial services. Examples of lost services are access to safety deposit boxes, making deposits or cash withdrawals, and cashing checks. There is also lost opportunities for mortgage loans and small business lending.

Marietta Rodriguez, NeighborWorks America President and CEO, noted in a written comment to the Federal Communications Commission, "To the extent that a bank has branches, they should be accessible to LMI area residents on an equitable basis. Particularly in LMI communities, the physical presence of a bank, and by extension the safe, regulated financial products that it offers, is a necessary counteroffering to the title lenders, payday lenders, and other similar enterprises that frequently appear in these neighborhoods that offer unsafe or predatory products. Personal interactions, such as the chance to ask questions about unfamiliar lending or banking procedures, cannot be duplicated by mobile banking or ATMs" (Rodriguez, 2018, p. 9).

The personal connection with bank tellers remains prevalent in South Dakota where individuals, especially low-income and elderly, are often seen cashing their paycheck or Economic Impact Payment Coronavirus Aid checks, or securing important documents or items in safety deposit boxes. Without the local banking institution, these individuals may resort to other means of high cost services. Elderly and low-income individuals often do not have access to internet or do not have the skills needed to access online banking.

The FDIC reported, "Households may rely on bank branches not only to access an account but also for a variety of other activities, such as individuals eligible for an Economic Impact Payment authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) but without direct deposit information on file with the Internal Revenue Service may have received their payment by paper check or prepaid card. Some individuals that received a paper check may have used a nonbank check casher to get the funds" (Federal Deposit Insurance Corporation (FDIC), 2019, p. 55). The FDIC survey further notes that the use of cash for paying bills in a typical month was also higher among lower-income households, less-educated households, younger households, Black households, Hispanic households, American Indian or Alaska Native households, working-age disabled households, and households with volatile income (pp. 1–2).

The need for community banks remains; however, there continues to be a decrease in banking institutions which leads to further inequality of services. A November 2019 report of the Federal Reserve System, *Perspectives From Main Street: Bank Branch Access in Rural Communities*, found that between 2012 and 2017, there was a substantial increase in the number of communities with no bank headquarters, the majority of which were rural. Over the same 5-year period, over 40 percent of rural counties lost branches, with some rural counties experiencing considerable declines (Board of Governors of the Federal Reserve System, 2019, p. 3).

According to the 2019 FDIC Survey, "Physical access to bank branches remains important despite the increase in the use of mobile banking and the decline in the use of bank tellers for account access. Households may rely on bank branches not only to access an account but also for a variety of other activities" (FDIC, 2019, p. 55).

In a report from the National Community Reinvestment Corporation, they compared data from 80 years ago with more current economic and demographic information in areas of low-to-moderate income (LMI), middle-to-upper income (MUI), or majority–minority. "To a startling degree, the results reveal a persistent pattern of both economic and racial residential exclusion. This is evidence that the segregated and exclusionary structures of the past still exist in many U.S. cities" (Mitchell, 2018, para. 10).

To combat the decreasing numbers of community banks, regulations should be reviewed and amended. Regulations have made it increasingly difficult for community banks to operate their business. Community banks are disproportionately affected by increased regulation and are less able to absorb the additional cost or may not have the staffing levels required to oversee the regulation. For instance, many of our rural small banks do not offer mortgage lending due to the complexity in this service. The regulatory burden contributes to the loss of local banking institutions and unequal access to needed services. Equitable access to banking services, home mortgages, and small business loans is needed for equitable inclusion and wealth building.

References

Board of Governors of the Federal Reserve System. (2019, November). "Perspectives from Main Street: Bank Branch Access in Rural Communities". Washington, DC. Retrieved May 18, 2021, from *https://www.federalreserve.gov/publications/files/bank-branch-access-inrural-communities.pdf*.

Federal Deposit Insurance Corporation (FDIC). (2019). *How America Banks: Household Use of Banking and Financial Services,* *2019 FDIC Survey*. Retrieved from *https://www.fdic.gov/analysis/household-survey/2019report.pdf*.

Federal Deposit Insurance Corporation. (2020, October 19). *FDIC*. Retrieved May 18, 2021, from 2017 FDIC National Survey of Unbanked and Underbanked Households: *https://www.fdic.gov/analysis/household-survey/2017/index.html*.

Ferguson, D. (2021, May 14). *South Dakota News Watch*. Retrieved from Frenzied housing market putting home ownership out of reach for some South Dakotans: *https://www.sdnewswatch.org/stories/frenzied-housing-market-putting-homeownership-further-out-of-reach-for-some-south-dakotans/*.

Mitchell, B. (2018, March 20). *NCRC National Community Reinvestment Corporation*. Retrieved from HOLC "Redlining" Maps: The Persistent Structure of Segregation And Economic Inequality: *https://ncrc.org/holc/*.

Neighborhood Homes Coalition. (n.d.). *Neighborhood Homes Investment Act*. Retrieved May 18, 2021, from Investing in America's Neighborhoods: *https://neighborhoodhomesinvestmentact.org/*.

Rodiguez, M. (2020, April 6). Community Reinvestment Act Regulations, Notice of Proposed Rulemaking (OCC Docket ID OCC-2018-0008, FDIC Docket ID RIN 3064-AF22). Washington, DC, USA. Retrieved from *https://www.neighborworks.org/Documents/*.

Rodiguez, M. (2021, January 21). *NeighborWorks America President and CEO.*.

Rodriguez, M. (2018, November 19). Docket ID OCC-2018-0008. Washington, DC. Retrieved from *https://www.neighborworks.org/Documents/AboutUs-Docs/PublicPolicy-Docs/CommentLetters-Docs/CommentLetter-CommunityReinvestmentAct-ReformingRegulatoryFramework.aspx*.

Yost, R. (2021, May 4). Keloland.com Original. Retrieved May 9, 2021, from $100 million to help us catch up on internet speed, quality: *https://www.keloland.com/keloland-comoriginal/100-million-to-help-us-catch-up-on-internet-speed-quality/*.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

DECLARATION OF MARK N. FOX, CHAIRMAN OF THE MANDAN, HIDATSA, AND ARIKARA NATION, ALSO KNOWN AS THE THREE AFFILIATED TRIBES

Exhibit 1

Declaration of Mark N. Fox,
Chairman of the Mandan, Hidatsa &
Arikara Nation, also known as
the Three Affiliated Tribes

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

STANDING ROCK SIOUX TRIBE; YANKTON SIOUX TRIBE; ROBERT FLYING HAWK; OGLALA SIOUX TRIBE, Plaintiffs, and CHEYENNE RIVER SIOUX TRIBE; SARA JUMPING EAGLE, ET AL., Plaintiff-Intervenors, v. U.S. ARMY CORPS OF ENGINEERS, Defendant-Cross Defendant, and DAKOTA ACCESS, LLC, Defendant-Intervenor-Cross Claimant.	Case No. 1:16-cv-01534-JEB (and Consolidated Case Nos. 16-cv-1796 and 17-cv-267)

DECLARATION OF CHAIRMAN MARK N. FOX OF THE MANDAN, HIDATSA & ARIKARA NATION

1. My name is Mark N. Fox. I am Chairman of the Mandan, Hidatsa & Arikara (MHA) Nation, also known as the Three Affiliated Tribes. The MHA Nation's address is 404 Frontage Road, New Town, North Dakota 58763.

2. The MHA Nation is located on the Fort Berthold Indian Reservation ("Reservation") in North Dakota. Our Reservation surrounds the Missouri River and Lake Sakakawea and covers over one million acres of land. As of April 8, 2021, the MHA Nation had 16,808 enrolled members.

3. The MHA Nation's oil and gas reserves are held in trust on our behalf by the United States. As trustee, the United States owes the MHA Nation and its members a fiduciary duty to protect, administer, and account for the MHA Nation's trust property and oil and gas resources, and it must do so in a way that ensures the MHA Nation continues to enjoy full use of its trust resources without any diminution in value caused by its trustee's actions.

4. If the Dakota Access Pipeline ("DAPL") is shut down, the MHA Nation will suffer significant financial, environmental and safety harms that will add further injury to the MHA Nation's economy already suffering monumental losses as a result of the COVID-19 pandemic.

5. The MHA Nation has significant oil and gas reserves on our Reservation, with an estimated total of hundreds of millions of barrels of oil. Oil production on our Reservation is likewise significant, currently totaling approximately 300,000 barrels per day. There are currently over 2500 wells on the Reservation. About 25% of North Dakota's current total oil production takes place on our Reservation. Since 2008, the MHA Nation has been engaged in developing its oil and gas resources with the approval of the federal government. There are potentially over 2,000 more new wells to be developed in the future. Each well represents millions of dollars in tax and royalty revenue to the MHA Nation for the benefit of its members.

6. The MHA Nation's economy is heavily dependent on oil and gas development. Oil production on our Reservation is a critical source of governmental revenue for the MHA Nation. More than 80% of our tribal budget in the current fiscal year comes from oil and gas royalties and tax revenue. These funds are used by the MHA Nation to pay for things like health insurance for our members, contractual commitments for ongoing infrastructure projects, tribal courts, law enforcement and drug enforcement, a child safety center and foster home, elder care and assistance,

housing and many other programs and needs on our Reservation. The MHA Nation's cost of health insurance alone exceeds $40,000,000 annually.

7. The MHA Nation uses a significant amount of its oil and gas revenue to construct community buildings like new schools, athletic fields, cultural centers, health clinics, emergency management centers, law enforcement centers, and courthouses. Oil and gas revenue also goes to construct and maintain highways and maintain our regulatory infrastructure. The MHA Nation spends significant revenue to fund tribal regulatory agencies charged with mitigating the environmental and social impacts of oil and gas development, to ensure that our oil and gas resources are developed in a responsible manner, and as well to protect our land, water, air, and species against not just the impacts of energy development but also the very real threats of climate change, so that we may preserve our culture and ways of life for generations to come.

8. The sharp drop in oil prices as a result of the COVID-19 pandemic has already led to a sharp decrease in revenue for the MHA Nation. Federal relief dollars have not come close to making up the difference, and that gaping lost revenue gap has greatly affected our ability to meet our contractual and commitments and fund our planned programs and projects. The MHA Nation can thus not afford further challenges to its ability to get its oil production to market.

9. Over sixty percent of the oil trust resources produced on our Reservation is transported to market on DAPL. If DAPL is shut down by any branch of the U.S. government, much of our Reservation production will be difficult to move to market and future production will be sharply curtailed. Not only would a DAPL shutdown deprive the MHA Nation of any return on substantial investments we have made in planned increases in oil production from our trust resources, it would also deprive us of substantial revenue from existing wells on our Reservation, causing significant additional financial harm both to the MHA Nation and the many people, native and non native

alike, who work in our Reservation's oil and gas industry. We have every reason to believe that the MHA Nation and individual Indian trust royalty owners will suffer significant financial losses as the value of our oil and gas trust resources is diminished by a shutdown of DAPL.

10. I directed MHA Nation staff and consultant experts to provide a study of the financial harm that could be done to the MHA Nation in the event DAPL is shut down. They have estimated that the losses will exceed $160,000,000 over a one year period and exceed $250,000,000 over two years.

11. The MHA Nation will also suffer significant environmental harms if DAPL is shut down. DAPL is the most efficient, environmentally-friendly way to transport to market the trust oil produced on our Reservation. The only alternative to the pipeline transport is to increase use of truck and rail transport. To the extent our Reservation trust oil now carried by DAPL is shifted to either of these more expensive options, the result will be increased truck and rail traffic in and around our Reservation, with increased road damage, more motor vehicle accidents, as well as increased air pollution from dust and and heavy vehicle emissions that pose short-and-long-term risks to the health and safety of MHA Nation members, their livestock and the many species of animals and fish that inhabit our lands and waters.

12. In addition, shutting down DAPL would likely result in increased fatalities among the members of the MHA Nation using the roads on our Reservation. When DAPL began transporting our Reservation trust oil in 2017, it brought a decrease in the reliance on heavy truck and rail to transport oil from the region, and the MHA Nation noticed a significant reduction in traffic-related fatalities on our Reservation. According to state highway statistics, five fewer fatalities occurred annually after DAPL reduced traffic on our Reservation. Shutting down DAPL would likely result in a corresponding increase in fatalities within our MHA Nation.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed: April 19, 2021

Mark N. Fox

Mark N. Fox, Chairman
Tribal Business Council
MHA Nation

LETTER FROM STATE EDUCATION LEADERS

The Honorable Joseph Biden
President of the United States of America
The White House
1600 Pennsylvania Ave, NW
Washington, D.C. 20500

February 16, 2021

Dear Mr. President:

It is unusual that state education leaders would be in a position to warrant this letter. We write to oppose the actions taken to ban oil and gas leases on federal land and to curtail production and transmission of the commodities. Specifically, 1) The Department of the Interior's Order 3395 places a moratorium on new mining, oil, and gas leasing and permitting on federal lands, off and onshore; 2) Section 208 of the Climate Crisis Executive Order places a "pause" on entering into new oil and natural gas leases on public lands or offshore waters; and allows for review and reconsideration of federal oil and gas permitting and leasing.

As state education chiefs we have appreciated generous access to your education transition team and we had multiple opportunities to discuss schools safely reopening, student well-being, and academic priorities. We are also enthused that U.S. Secretary of Education nominee, Miguel Cardona, most recently served as a state education chief, and well understands the critical leadership role that we have as state leaders. We look forward to working collaboratively on many education issues. Thus, it is imperative that we bring to light the arbitrary and inequitable move to shut down oil and gas production on federal lands in our states that depend on revenues from various taxes, royalties, disbursements, and lease payments to fund our schools, community infrastructure, and public services.

- In Wyoming, the oil and natural gas industry contributed $740 million in funding for K-12 education and $28 million to Wyoming's higher education system in 2019. 92% of all natural gas and 51% of oil produced in Wyoming comes from federal lands. The ban translates into the loss of hundreds of millions of dollars for education and 13,300 direct jobs in a state of 500,000.
- In Montana, $30 million in revenue is at-risk, along with over 3,000 jobs.
- In North Dakota, the lease moratorium would result in 13,000 lost jobs over four years, along with $600 million in lost tax revenue and a $750 million loss in personal income. North Dakota's oil and gas industry accounts for 24,000 direct jobs in the state.
- In Utah, $72 million in revenue is at risk with 11,000 jobs at stake.
- In Alaska, over $24 million in state revenue is tied to federal leases for oil and natural gas, along with 3,500 jobs.

As state education chiefs, we place equity and quality at the forefront of policy making. We care deeply about clean air and clean water for future generations. And, we advocate fiercely for adequate funding for all students in all schools. Reform of the industry is necessary and can be accomplished, but not by abruptly restricting industries that define our culture and the generate revenue on which so many rely.

Mr. President, as state education leaders, we are uniquely positioned to think about how to support and fund education for the next generation. Given support by your administration, in the form of an exemption from orders that diminish the oil and natural gas industry, our states can continue to diversify and innovate the industry *and* fund education. Our shared goals are a reduced global carbon footprint, protected wildlife, and quality educational opportunities for all children.

We thank you for your consideration and we welcome a continued conversation.

Respectfully,

Jillian Balow, Wyoming Elected State Superintendent

Kirsten Baesler, North Dakota Elected State Superintendent

Elsie Arntzen Montana Elected State Superintendent

Michael Johnson, Alaska Governor-appointed State Commissioner

Sydnee Dickson, Utah Board-appointed State Superintendent