

Testimony of Michel Gelobter to the House Committee on Space, Science, and Technology, Investigations and Oversight Subcommittee Hearing

Good morning. Thank you to Chair McCormick and Ranking Member Sykes for having me here today. My name is Michel Gelobter and I'm grateful for the opportunity to testify to this subcommittee about the Justice40 Initiative.

I have been working in the fields of climate change, environment, energy, environmental and climate justice since the mid-1980s. Early in my career, I had the privilege of serving the House Energy and Commerce Committee as a Congressional Black Caucus Fellow and have subsequently worked on those same topics in government, advocacy, academia, and in industry, including the tech sector. I currently serve as Executive Director of a teaching and research center that spans Yale's Law and Environment Schools and works, among other things, on ways to build broad prosperity as our country modernizes its energy infrastructure and shifts to more sustainable energy resources.

I am speaking today about the Justice40 initiative in my personal capacity as a researcher and citizen. While I hold an academic appointment at Yale University, my remarks reflect my own views and the prevailing scientific literature, not the views of Yale.

Our country is in need of legislation and investment to meet diverse infrastructure needs, including roads and bridges, the power sector, the internet, water infrastructure, transit and transportation, including airports and commercial ports. The Justice40 initiative sought to ensure that significant benefits of federal investment in new infrastructure flowed to communities that, without such an initiative, could actually end up worse off than before the investments were made.

How could this scale of investment end up as a "wealth setback" for rural, and low- and middle-income families?

The main way this happens comes from the way we pay for investment in infrastructure. Investment funded through traditional revenue sources like income and sales taxes disproportionately benefit high-income households whose wealth depends much less on their wages than lower-income households. So the vast majority of Americans end up paying a disproportionately higher share of the cost of infrastructure than high-income Americans.

A couple of examples:

When solar panels are installed on an apartment building, renters may, in fact, see slightly lower electricity bills. But the building owner owns the asset, the building and the panels, and reaps the appreciation to the property's value, the investment tax credit, the tax savings from depreciation, and the revenue from selling excess power back to the grid. And this hampers deployment. Some estimate that low-income communities see up to 47% less deployment of solar.

When roads are improved or expanded, individuals see the benefit of reduced driving time and safety, but these are usually smaller than the appreciation experienced by real estate owners adjacent to those roads, and the returns, in the form of greater road capacity for commerce, to commercial transportation providers.

Good policy can ensure that this spending not only rebuilds our country, but does so in a way that benefits the widest possible swath of Americans. Here is a handful of the approaches that are known to efficiently build infrastructure while increasing wealth for more low and middle income Americans:

1. Create free markets for the tax advantages of infrastructure investments. Policies that increase the fungibility of tax credits can prevent the creation of tax benefits that cut low- and middle-income families out. Recent implementations of clean energy tax credits or the IRA are a good start in this direction.
2. Collect revenue for infrastructure by tapping interest and capital gains that will grow as a result of infrastructure investment rather than from everyday wages.
3. Create opportunities for increased ownership of infrastructure assets. Community land or energy trusts drive more ownership into low and middle income communities, enabling them to reap the investment benefits of infrastructure spending.
4. Facilitate tax-increment finance for local, regional and state governments so that as property values grow from infrastructure investment, local revenue is generated to pay for that investment and lighten the financial burden on families and communities.
5. Ensure the widest possible participation in innovation, contracting, employment, and maintenance for critical infrastructure. Infrastructure spending is only a short-term employment booster, but small businesses and workers can get higher wages and more opportunity that help them climb the income ladder.
6. Design infrastructure investment to also improve health, education and resilience. Even if we don't manage to share the wealth benefits of all our infrastructure spending, a lot of such spending can reduce pollution, increase educational opportunity, and make

communities resilient to natural disasters, and these benefits can go a long way to raising all boats through infrastructure spending.

The Subcommittee is playing a vital role in its oversight of Justice40 and of who benefits from our infrastructure spending. Congress can work with the Office of Management and Budget and key federal agencies to monitor how the trillions committed to infrastructure over the coming years are building wealth for all Americans. It can help to ensure stability and predictability of this spending, which helps prevent “infrastructure wildcatting” by wealthier investors that can box out smaller players in a chaotic market. It can champion creative ways for small business, communities, and local and state governments to own and finance big infrastructure projects. And, perhaps most critically, Congress can send a message to working Americans that their tax dollars can generate opportunity, and that we can all be part of building a great future.

Thanks again for the opportunity to testify and I look forward to your questions.