

SMALL BUSINESS COMMITTEE
Hearing on "Empowering Low-Income Communities"
May 19, 1998

CHAIRMAN JIM TALENT – STATEMENT

Ladies and gentlemen, thank you for joining me today to discuss the important issue of "Empowering Low-Income Communities." One of the biggest challenges facing our country is the breakdown of low-income communities in both rural and urban America. These communities are distressed, demoralized and devastated by increasing social problems and decreasing economic resources. The millions of good people living in these areas are fighting for their children, but they must fight alone. Neighborhoods are being taken over by gangs, small businesses are leaving, and drug pushers are everywhere.

Economic and social indicators tell us just how big the problems are. Since the mid 1960's, the general population of America has increased by 60 million people while the largest 25 cities have lost about 4 million residents. People aren't the only ones leaving, businesses are taking flight as well. In my hometown area in St. Louis city, the number of businesses has declined 32% from 1972 to 1992. One of the most profound indicators of the social breakdown in low-income communities, is the high rate of illegitimacy. In many urban areas, the illegitimacy rate is over 75%. Government has become the second parent in many of these households.

For the past 30 years, the government's policies, while well intentioned, have tended to uproot the very values of faith, family, work, and charity on which neighborhoods depend. If you talk with the people who live in these communities the answer is to renew our commitment to those values and rebuild the institutions which reflect them. Private economic growth and moral renewal is the formula which will work – which is in fact already working in many places.

Take for example, Tom Lewis, of the Fishing School. Here is a small after school program that gives children a safe haven to go to in one of the most crime ridden sections of Washington, D.C. Located in an area where pizza car deliveries and taxis won't go because crime is so bad, the Fishing School provides an environment where children can be safe, they can study and where they can learn right from wrong. Tom testified before the Small Business Committee last year and said, "I wish there could be a Fishing School in every neighborhood in every inner city of this country.....Because I believe there are men and women with a vision like me in Chicago and Atlanta and Boston and St. Louis and L.A. and New York and Philadelphia who would love to start something like the Fishing School. They just need a jump-start."

For these reasons and more, Congressmen Watts, Davis and myself introduced the American Community Renewal Act last week. The purpose of our bill is to increase job creation, small business expansion and formation, home-ownership, and to foster moral renewal in economically depressed areas. We want to make these neighborhoods attractive for investment capital through reduced taxes, regulations, and licensing barriers. Our plan is to use the government aggressively, not to create new programs, but to encourage and nurture the groups and organizations that are already on the scene making a difference, like the Fishing School.

Focusing on the themes of moral and economic renewal, the American Community Renewal Act allows for up to 100 "Renewal Communities" to be established in the poorest urban and rural communities on a competitive basis. In order to be designated a Renewal Community, state and local governments would have to work together with neighborhood groups to lessen the regulatory and licensing burdens that hamper job creation. Dr. Stuart Butler of the Heritage Foundation testified before the Small Business Committee last year and said, "It is the plethora of local taxes and red tape that frustrate owners and drive up the cost of opening and continuing a business....For small financially-strapped firms, these local obstacles can be business-killers. That is why it is necessary to encourage

local authorities to streamline zoning, building codes, and other regulations and permits that can be an enormous obstacle to a small firm.”

Within the American Community Renewal Act, a designated community would work with the local government to reduce some of these regulations and barriers to growth and also receive a whole host of benefits. Business incentives in the bill include: an exclusion from capital gains tax, increased expensing, a work opportunity tax credit, a commercial revitalization tax credit, and the ability for companies to expense the cost of cleaning-up environmentally contaminated land. Also included in the bill are home-ownership opportunities, savings accounts for the working poor and voucherized drug treatment services.

A key element to helping low-income communities is identifying where they exist. This year, we commissioned the General Accounting Office to identify areas in the country which have high incidence of poverty and unemployment. Despite the current success of our growing economy and low-unemployment rate, the GAO found approximately 9,000 census tracts out of 60,000 that are still struggling to survive. Stan Czerwinski of the GAO has kindly joined us today and will brief us on their findings.

In addition to Mr. Czerwinski, we have an excellent line up of witnesses that will give us a better understanding of how we can help these fledgling neighborhoods stabilize their economies and grow into healthy, active communities. Over the past two and a half years, I have had the pleasure and honor of traveling with Congressman J.C. Watts across the country visiting communities that are in need of help. He is here today to explain why he believes the American Community Renewal Act will help conquer the destitution many urban and rural communities face. Also, I am pleased to announce that Reverend Flake, who was a sponsor of this legislation last year, will join us today discuss how he is putting to practice these initiatives in his own community in Queens, New York. On our last panel of witnesses, we will hear from people making a difference in their own communities across the country.

Empowering our low-income communities is a topic of importance to the Small Business Committee. The committee, as well as, Chairman Souder's Empowerment Subcommittee will continue to explore possibilities in our most vulnerable neighborhoods. Thank you all for coming to our hearing today.