UNITED STATES SENATE
BUDGET COMMITTEE
RANKING MEMBER CHUCK GRASSLEY

Opening Remarks by Senator Chuck Grassley of Iowa
Ranking Member, Senate Budget Committee
Hearing titled, "Investing in the Future: Safeguarding Municipal Bonds from Climate Risk"
Wednesday, January 10, 2024

VIDEO

Mr. Chairman,

I wish you, in turn, a happy new year, and to your family as well.

As you would expect, I'm going to say that I've enjoyed the first year we've had, even though we've had some disagreement on the agenda of the committee. And so, I'm going start out where you'd expect me to start out: on the purpose of the Budget Committee and the fiscal problems of our nation.

One of my hopes for the New Year is for this committee to turn its attention to the pressing fiscal challenges we face as a nation. Our unsustainable fiscal outlook is a bipartisan problem and it's going to require a bipartisan solution to resolve.

That was the crux of the letter that Senator [Rick] Scott and I, along with all Republican members of this committee, sent you in December. Your December 7th response suggests you agree that reducing the federal deficit and shrinking the national debt are good ideas. Yet, you rejected our request to hold bipartisan hearings focused on the matter.

Yes, we do disagree on the merits of many policies and proposals. But, for the good of our nation, we must begin to find common ground to address a national debt that recently topped $34 trillion and is growing at an historic pace.

Yesterday, the CBO warned that the federal budget deficit totaled $509 billion in just the first three months of fiscal year 2024. That's $87 billion more than this time last year, despite revenues coming in eight percent higher.

The Treasury Department recently reported that we ran a $1.7 trillion deficit in 2023, larger than all but six deficits recorded since 1946, as a share of GDP.

Now, we know that Fitch Ratings has downgraded our credit rating, and Moody's Investors Service recently placed a negative outlook on the U.S. sovereign credit rating.

This morning, the Budget Committee holds its 13th climate change hearing this Congress. This has prevented us from discussing ways to improve our immediate and dire economic position.

Climate discussion is always worthy of our time as legislators and must be considered, and debated and discussed. But climate change doomsday isn't around the corner. Reasoned adaptation is the key to coping with any climate change.

Today's hearing is about the role of climate change in the municipal bond market.

The $4 trillion municipal bond market is very resilient. According to Moody's, over 99 percent of municipal bonds, issued by cities, school districts, states and other local governments, are categorized as "investment grade."

The infrequency of general government defaults reflects a key feature of state and local governments – that is, they have the power to raise revenue through taxation, unlike their private sector counterparts.

States and local governments understand the risks their jurisdictions face and they are uniquely qualified to so adapt.

Where there've been defaults in municipal bonds, it's been in places that've been mismanaged for decades, such as the city of Detroit. And I haven't looked at Detroit lately, but I think they're making some progress coming out of the hole they dug for themselves.

In fact, according to Moody's, they've never seen a bond they rated default due to natural disasters.
This includes the rated bonds of Paradise, California, which suffered near complete destruction in a 2018 California wildfire. Paradise has made every scheduled bond payment.

I agree that municipal bond issuers face challenges. A big one is the extent to which municipalities rely on the federal government for transfers – let's face it, we're broke.

I welcome all of today's witnesses. I look forward to hearing each of your testimonies.

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