

# Washington Watch



The great infrastructure debate — what constitutes infrastructure? And how will Congress fund it?

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During the 2020 Presidential race, candidate and former Vice President Joe Biden campaigned on his Build Back Better plan, a projected \$7 trillion COVID-19 relief, future economic, and infrastructure package. The first installment, a pandemic relief package totaling nearly \$2 trillion, is well-known by most counties by now. The Biden Administration has also outlined two more installments -- the American Jobs Plan, a proposal to invest \$2.3 trillion in infrastructure and the American Families Plan, a proposal to invest \$1.8 trillion in tax credits and programs that support children and families.


## **Competing plans to invest in infrastructure**

On March 31, the White House released the American Jobs Plan, President Biden's proposal for a massive \$2.3 trillion infrastructure plan. The American Jobs Plan has completely changed the definition of infrastructure from the historical list of roads, bridges, transit and water, to also include housing, broadband, public schools,

community colleges, climate action and more.

Congress is currently in the process of drafting and debating legislation to fund and implement an infrastructure package. The package must include reauthorization of surface transportation programs that would have expired September 30, 2020, but which received a one-year extension. Therefore, on May 26, the Senate Committee on Environmental and Public Works (EPW) unanimously approved a bipartisan surface transportation improvement package worth \$304 billion to set federal spending levels and policy for the next five years (2022-2026). Although this measure was mostly for transportation only, lawmakers in both parties were describing the legislation as a potential step toward a broader infrastructure deal.

Republicans on the EPW Committee touted \$2 billion in grants over five years for rural regions, and provisions meant to speed up permitting and approval processes for projects. Democrats highlighted spending



in the bill to reduce carbon emissions, upgrade transportation infrastructure to better withstand extreme weather and the effects of climate change, and improve pedestrian and bicycle infrastructure. One provision in the resilience program would incentivize planning by allowing states and localities meeting certain voluntary, resilience planning guidelines, to reduce matching funds by as much as 10%.

The bill that the Senate EPW Committee approved only covers a portion of surface transportation programs. Transit and issues related to taxes and how to pay for the programs are handled by other committees. Furthermore, all other components to create a larger infrastructure package will still need to be added and the U.S. House of Representatives will also need to weigh in.

Meanwhile, on May 27, the Senate GOP unveiled its \$928 billion infrastructure counteroffer to President's Biden's American Jobs Plan. Although the counteroffer included broadband, water systems, safety efforts, electric vehicles, and equity issues, it did not include Biden Administration priorities such as home health care, and upgrades to housing and schools. The President had expressed a willingness earlier to trim his original infrastructure plans to \$1.7 trillion by cutting out funding for research and development and supply-chain enhancements, as well as reduced proposed spending on broadband, roads and bridges.

To reach a deal, the two sides will have to resolve not only what constitutes infrastructure and a huge gap in the price tag,

but also very different visions of how to pay for it.

### **The third pillar of President Biden's Build Back Better campaign promise: The American Families Plan**

On April 28, the Biden Administration released the third part of its Build Back Better proposal, known as the American Families Plan. The American Families Plan outlines \$1.8 trillion for people-focused spending such as expanded child care, free community college, universal prekindergarten and more. A few examples in the plan include:

- Add at least four years of free education. AFP will provide universal preschool to all three- and four- year-olds and two years of free community college to all Americans, including DREAMers.
- Provide direct support to children and families. AFP will provide direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on child care, create a national comprehensive paid family and medical leave program, and expand nutrition assistance programs to families with children.
- Increase and make permanent tax credits for families with children care needs. AFP will extend the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit. AFP will also extend the expanded health insurance tax credits in the American Rescue Plan.
- Extend expanded Affordable Care Act premiums tax credits. AFP will expand the ACA, lower prescription drug costs by letting Medicare negotiate prices, and reduce health insurance premiums and deductibles.

### **How could Congress fund these sweeping plans?**

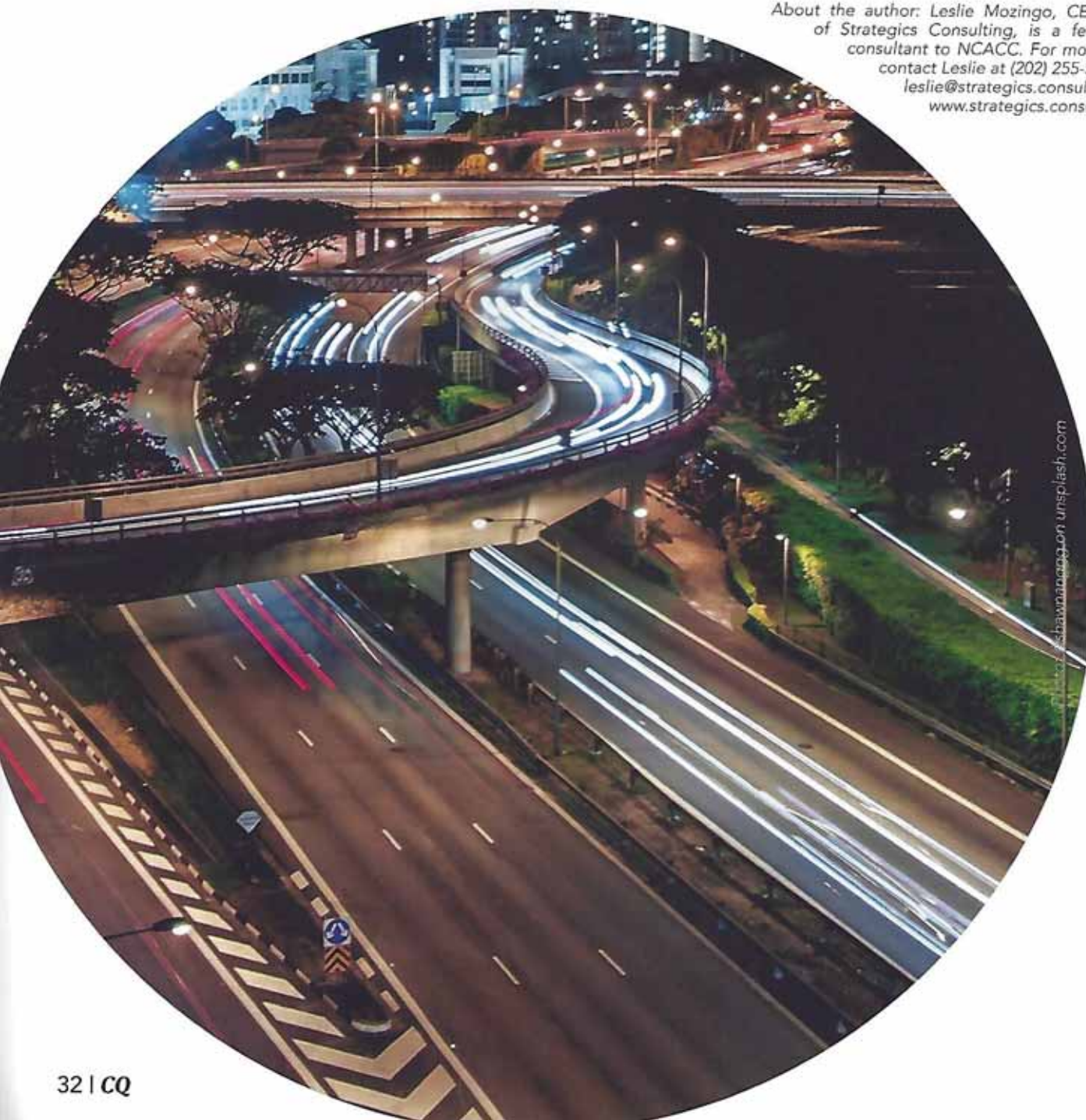
To pay for the AJP, President Biden wants to raise corporate taxes. Republicans, however, contend they could cover infrastructure costs

with funds already allocated by Congress, including unused Coronavirus Relief Funds or with transportation user fees. In order to pay for the AFP, President Biden proposes to reverse 2017 tax law, increase the top tax rate on individuals to 39.6 percent and end capital income tax breaks. These are non-starters for the GOP.

If negotiations do not show promise, Democrats will have to decide whether to try to pass bills on their own using special budget rules known as reconciliation.

Budget reconciliation is usually only allowed once per fiscal year budget. Democrats used the process earlier this year to pass President Biden's \$1.9 trillion American Rescue Plan, without any GOP votes. Nevertheless, the Senate parliamentarian has ruled that the budget reconciliation process can be used on both the AJP and the AFP to avoid a GOP filibuster and pass them with a simple majority instead of the 60 votes needed to advance legislation in the upper chamber. **CC**

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