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Parrott: President's Recovery Agenda Is an Ambitious Plan to Tackle Big Problems

CBPP today released a statement from Sharon Parrott, President, on President Biden's recovery agenda:

President Biden's recovery proposals — including both the American Jobs Plan and American Families Plan — constitute a ground-breaking agenda to move us toward an equitable economy and address problems that have plagued our nation for decades.

Our nation faces significant challenges. We underinvest in our infrastructure and our children; we have high levels of poverty and inequality and deep inequities across lines of race, ethnicity, and gender; some 29 million people were uninsured even before the pandemic, despite progress under the Affordable Care Act; many households can't afford housing or high-quality child care; low-paid workers struggle to make ends meet when employed and often face serious economic instability when they lose their jobs; and many workers can't take time off to care for a new child or attend to family health issues.

The pandemic and economic crisis not only worsened these longstanding challenges, but also exposed gaps in many economic and health security programs that leave households vulnerable when they fall on hard times and don't do enough when the country falls into a recession.

The President's recovery agenda would take historic steps to address these challenges and policy gaps. For example, it would:

- Reduce child poverty by more than 40 percent by extending the American Rescue Plan's temporary expansion of the Child Tax Credit, though the full expansion should be made permanent rather than only extended through 2025.
- Improve the economic security of low-paid workers without children at home by making the American Rescue Plan's temporary Earned Income Tax Credit expansion permanent.
- Help millions of families get affordable, high-quality child care and preschool by expanding child care subsidies, providing funding to states to make preschool available to all 3- and 4-

year-olds, permanently increasing the Child and Dependent Care Tax Credit, and investing in the child care and early education workforce.

- Expand access to affordable health care by extending the American Rescue Plan's increase in premium tax credits to make marketplace coverage more affordable. The President also lays out other health reforms in the materials released, including providing a pathway to coverage for people in states that haven't adopted the Medicaid expansion, which is critical to include in recovery legislation.
- Help older people and people with disabilities remain in the community with the home- and community-based services they need while ensuring that those who care for them are paid fairly for their work.
- Expand educational opportunity by making two years of community college free to all, increasing Pell Grants to make higher education more affordable, and taking steps to reduce tuition at HBCUs, Tribal Colleges and Universities, and other Minority Serving Institutions. (The plan makes free community college and Pell Grants available to immigrants with DACA status.)
- Help families manage their caregiving responsibilities and health needs and stay connected to their jobs by creating a permanent paid family and medical leave program.
- Address child food insecurity by making permanent the Rescue Plan's summer nutrition benefit program, which helps families buy groceries in the summer when children aren't getting meals at school, and by making free school meals more readily available to children in high-poverty school districts.
- Shore up the nation's physical infrastructure and expand the stock of less expensive housing. However, recovery legislation should pair investments in the supply of lower-cost housing with a robust, multi-year investment in rental assistance. Supply-side investments alone can't create housing that's affordable to people with incomes near the poverty line.

The President also calls on Congress to reform the Unemployment Insurance system, which does far too little to protect workers who lose their jobs from serious financial distress and doesn't respond adequately during recessions.

Together, these proposals when fully in effect would dramatically reduce child poverty and help children thrive, improve our nation's health, expand educational opportunity, bolster households struggling to afford the basics, and give families the ability to take paid leave from work to meet their families' health and caregiving needs.

The President's agenda also would significantly reduce racial and ethnic disparities, rooted in racism and other forms of discrimination, that for generations have resulted in deeply unequal access to jobs, education, housing, and health care. For example, people of color are far more likely to lack health coverage, often because their jobs don't provide affordable coverage; expanding coverage is one part of a strategy to close racial and ethnic health disparities.

Similarly, child poverty rates are far higher among Black, Indigenous, and Latino children than white children. Prior to the recent one-year expansion of the Child Tax Credit, about *half* of all Black and Latino children — compared to about 1 in 5 white children — got only a partial Child Tax Credit or none at all because their families' incomes were *too low*. Ensuring that all families with low or no income get the full Child Tax Credit — an improvement made in the American Rescue Plan that the President wants to extend — will reduce disparities in child poverty rates and improve educational and employment outcomes for low-income children.

And low-paid workers and workers of color are less likely to have access to paid family and medical leave and low-income students and students of color face greater challenges affording college — problems the plan tackles as well.

Some critics will charge that the President's agenda is too costly — effectively, that the United States can't afford to ensure that children thrive, that millions more people have health coverage, and that people can take time off from work when necessary. But these policies are commonplace in other wealthy countries. And the President has offered concrete proposals to fully pay for them over 15 years — that, is their total cost over 15 years would be paid for over that same 15-year period. Beyond the 15-year window, revenues would more than pay for the plan's new investments.

This would mark a welcome reversal from some two decades dominated by costly tax cuts. In 2000, after a long economic recovery, federal revenues stood at 20 percent of GDP; in 2019, again after a long recovery, they stood at just 16.3 percent. Returning revenues to 20 percent of GDP next year would raise \$680 billion, far more than the Biden plan calls for. Research consistently shows that the tax cuts have done little to spur growth but have done much to widen inequality. A large share of their benefits has gone to wealthy individuals and profitable corporations — groups whose fortunes have soared even during the pandemic.

To build toward an equitable recovery requires a tax system that raises revenues from those who have the most and who benefit greatly from public investments in everything from science and technology to infrastructure and education. The Biden tax proposals would do this by curtailing the tax code's tilt toward income from investments rather than income from labor for those earning more than \$1 million; closing various loopholes, including the loophole that allows wealthy people to entirely avoid paying taxes on unrealized capital gains throughout their lifetimes; and raising the corporate tax rate and limiting federal tax incentives for companies to shift their profits and investments overseas to where they face little or no tax.

The plan would also help ensure that wealthy individuals and businesses pay the taxes they owe, by enabling the IRS to rebuild its depleted audit staff and upgrade its antiquated computer systems so that it can audit the returns of a larger share of high-income households and corporations. The plan would also establish new information reporting requirements for financial institutions that will help the IRS detect unreported income. This comprehensive tax compliance initiative would ensure that more of the revenue that is owed is collected and that corporations and households that have exploited weak IRS enforcement to underpay their taxes would have to pay them like everyone else. The package also would bolster IRS's ability to assist taxpayers with questions and to deliver the expanded monthly Child Tax Credit effectively.

Despite the agenda's far-reaching impact, Congress will need to address shortcomings in certain areas, like rental assistance and making the full Child Tax Credit expansion permanent, and fill in many details in others. For example, the calls for subsidized jobs in the American Jobs Plan and unemployment insurance reforms in the American Families Plan lack detail and Congress will need to take the lead in designing these important initiatives.

Also critically important is the President's proposal, laid out in the materials released today as well, to offer a health plan that will ensure that all who are eligible for Medicaid under federal rules can get coverage in states that still haven't adopted the Medicaid expansion. Those states' failure to act has left nearly 3 million people with incomes below the poverty line — more than half of them people of color — with no access to coverage at all. Congress needs to act to provide a pathway to coverage for people in those states and make other important improvements, such as reduced marketplace deductibles to make coverage more affordable and Medicaid improvements that increase participation among those eligible.

The harsh costs of this past year's health and economic crises have fallen particularly heavily on people who work in low-paid industries; Black, Indigenous and other people of color; women workers; those without a college degree; and households that had few resources to fall back on before the pandemic hit. To build toward an equitable recovery where we all share in the nation's prosperity will require systemic changes and new investments. The Biden recovery agenda meets this moment. Now, Congress must act.

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