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## Parrott: Senate Budget Plan Points Way Toward More Equitable Nation

*CBPP today released a statement from Sharon Parrott, President, on the just-released budget resolution that the Senate will consider over the next several days:*

The budget resolution takes an important first step toward enacting groundbreaking legislation with long overdue investments to address problems that have plagued the United States for generations. Whether policymakers can move that legislation forward will be a major test of our nation's willingness to take meaningful steps toward economic justice, racial equity, and broadly shared opportunity.

The United States entered the pandemic with investment deficits that have held us back and perpetuated gaping racial and ethnic disparities. In the years leading up to the pandemic, more than 1 in 4 households — including more than 1 in 3 households with children and 1 in 2 Black and Latino households with children — experienced a major hardship such as an inability to afford adequate food, housing, or utilities over a three-year period.

This budget plan begins to move the country toward a very different future where all children can reach their full potential, where workers and those with fewer job prospects receive help to meet their needs and get ahead, where everyone has access to affordable, quality health coverage, and where the benefits of economic growth are far more broadly shared.

The budget plan sets the stage for recovery legislation that would represent the most sweeping effort to strengthen families' and workers' economic security in over half a century. To be sure, the plan itself only provides a framework for legislation, but accompanying materials make clear some of the policies Congress would pursue in crafting the recovery legislation. Based on these materials, the budget plan allows for later reconciliation legislation that would:

- Extend the American Rescue Plan's expansions of both the Child Tax Credit, which would reduce child poverty by more than 40 percent, and the Earned Income Tax Credit, which would improve the economic security of low-paid workers without children at home.
- Provide for robust investments in housing, including rental assistance to help families struggling to afford rent and maintain stable housing.
- Provide health coverage for the more than 2 million people with incomes below the poverty line who should have Medicaid coverage but live in states that refuse to adopt the Affordable Care Act's Medicaid expansion, and extend the Rescue Plan's increase in premium tax credits to make marketplace coverage more affordable.

- Help more children get the food they need by strengthening child nutrition programs; this could include, for example, Biden Administration proposals to extend a Rescue Plan program that helps families buy groceries in the summer when their children aren't eating meals at school, and to make free school meals more readily available in schools and school districts that serve large numbers of children in families with low incomes.
- Strengthen families by creating a national paid leave program, expanding access to affordable child care and preschool, and expanding home- and community-based services for older people and people with disabilities.
- Expand access to community college and other higher education opportunities as well as invest in initiatives that improve college success and in workforce development opportunities.

These investments build on successful but under-sized current policies and programs and reflect rich evidence on what works to build opportunity and reduce hardship. They also mirror effective policies in states and other nations.

Importantly, the summary materials indicate that the budget framework provides for a pathway to citizenship for certain immigrants who live and work in the United States, though there isn't detail about which groups of immigrants will be afforded this opportunity.

Too often, evaluations of whether a plan is fiscally responsible ignore the important question of whether the plan is making high-payoff investments that will both expand the economy and make its gains more broadly shared. This budget plan lays the groundwork to invest in areas with large returns, improving the nation's productivity while also broadening opportunity and closing racial disparities. The budget summary materials indicate that the package will also include offsets, including tax increases targeted on high-income and high-wealth households, corporate and international tax reform, responsible health care savings, and closing the gap between the taxes owed and taxes paid by providing new resources and tools to the IRS.

In the wake of a crisis where millions struggled to pay for food while others saw their stock portfolios soar, the nation needs to begin the process of creating a more adequate, sustainable, and equitable tax system that raises revenues to support 21<sup>st</sup> century investments in children, workers, health care, and climate and other technologies. These investments will pay enormous dividends for the nation as a whole, improving productivity while also broadening opportunity and narrowing glaring racial disparities. As Congress designs the final recovery legislation, a key question is whether it will meet this moment and ask very wealthy people and profitable corporations — both groups having long benefited from federal spending in areas ranging from infrastructure and research to education and health care — to pay a fairer amount of taxes to support needed investments.

The budget plan gives the Senate Finance Committee and the House Ways and Means Committee substantial flexibility within the broad framework to craft offsets for the recovery package, including revenue raisers and health care savings, and the final level of offsets isn't prescribed in the budget resolution. At this early stage in the process, this is reasonable; the budget plan allows Congress to move ahead to develop specific policies both on the investment and offset side, with time for input as they are put together.

In the coming weeks and months, we are likely to hear significant pushback against raising revenues. Despite overheated rhetoric, those who oppose any right-sizing of our tax system have failed to produce credible evidence that we cannot raise revenues, invest them wisely, and help our economy while also making it more inclusive. Similarly, claims that this package would ignite inflation ignore that its spending is

spread out over time and will include substantial offsets, and that the factors driving inflation over the past few months are largely transitory, substantially reducing the risk that sound investments made over the next decade would result in high inflation.

While Congress should set its sights high for raising revenues, given the need to build toward an equitable recovery, the high return on investment of many of these policies, the importance of reducing racial and economic disparities, and today's low interest rates, the nation stands to gain far more by deficit-financing some of these investments than by jettisoning them if the offsets that can be agreed to fall short of the total investment needs.

While the budget plan and summary documents lay out an ambitious and comprehensive agenda, some critically needed policies, such as unemployment insurance reform, aren't specifically mentioned in the summary document accompanying the budget plan. But Congress can include these needed policies in final recovery legislation as long as the legislation's total cost adheres to the budget framework in the budget resolution. The current unemployment system leaves out many low-paid workers — disproportionately people of color and women — when they lose a job and provides grossly inadequate benefits to many others; reforms would help more workers make ends meet when they are temporarily out of work. Similarly, the document doesn't discuss improvements in the Supplemental Security Income program, which provides assistance to low-income seniors and people with disabilities but has badly outdated benefit and eligibility rules in a number of areas.

Reflecting where Congress is in the process of crafting far-reaching recovery legislation, the budget framework and the summary document leave scores of critical policy questions to be answered over the coming months, including whether some policies are sunset due to cost constraints and the level of investment in individual programmatic areas, from child care to paid leave. The budget resolution is an important first step toward enacting far-reaching policy advances, with many steps and important decisions to be made in the months ahead.

As the nation considers how best to create a more equitable future, it is worth recognizing that the United States is a wealthy country that has long accepted high levels of poverty, stark inequality, gaping racial disparities, and widespread hardship. Many other countries have adopted measures U.S. policymakers are now considering for inclusion in recovery legislation that broaden opportunity, ensure that everyone has access to health care, and provide supports to individuals and families that reduce hardship and help more people thrive. Arguments that we can't afford to do the same are simply untrue. The only question is whether we have the will.

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