

# Reconciling with Reality

## The top priorities for building back better

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CENTER FOR FUNDING AMERICA'S FUTURE

OCTOBER 2021



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## INTRODUCTION

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**The White House and Congressional Democrats are at a pivotal moment in their long-running effort to turn President Biden’s ambitious “Build Back Better” vision into law. The bipartisan infrastructure bill passed by the U.S. Senate in August remains snagged by internal disagreements among Congressional Democrats about the size and cost of the follow-on social investment package party leaders hope to pass with reconciliation rules that are not subject to a Republican filibuster. Democrats will likely need to reach a compromise on the reconciliation package [by October 31<sup>st</sup>](#) so they can pass the infrastructure bill before funding for the nation’s highway program expires.**

Though cast as a power struggle between the progressive left and the pragmatic center, what’s happening on Capitol Hill is actually a reconciliation with legislative reality. Democrats can only afford to lose three votes in the House of Representatives and have no margin of error in the Senate, where at least two Members, Sens. Joe Manchin, D-W. Va., and Kyrsten Sinema, D-Ariz., already have made it clear they [won’t support a \\$3.5 trillion bill](#). Many Democrats in the House have [concerns](#) as well. Accordingly, President Biden says negotiators are now aiming for a final package that will [likely cost](#) between \$1.9 trillion and \$2.3 trillion.

Some progressives are trying to make their whole wish list fit within this budget constraint by [setting arbitrary dates for programs to expire](#), as Republicans did to disguise the true cost of their 2001, 2003, and 2017 tax cut bills. For example, rather than spend \$225 billion every year in the 10-year window, the package envisioned by the left might spend \$450 billion each year for five years before abruptly expiring.

But this approach would be deeply problematic. As Rep. Ron Kind, D-Wisc., noted in a [recent op-ed](#),

*“...funding programs for two to three years at a time only creates uncertainty and unnecessary fiscal cliffs.”*

In the worst-case scenario, a Republican Congress could allow programs to expire, which would upend the Biden legacy while pulling the rug out from people who planned their lives around new benefits.

Rep. Suzan DelBene, D-Wa., chair of the moderate New Democrat Coalition in the House, [further explained why](#) such a package wouldn’t alleviate the fiscal concerns of many pragmatic Democrats:

*“If you assume that you’re going to do something short term just to make it look like it’s going to fit in a particular budget window, for a particular piece of legislation, but you assume it’s going to be renewed later, then you aren’t really being honest about what your long-term budget goals are.”*

Fortunately, Democrats can still deliver historic economic and social investments that the country needs by spending smarter, not just bigger. The goal should be a more focused and disciplined reconciliation bill that sets clear priorities and accomplishes a few big objectives well instead of haphazardly trying to do everything at once. Specifically, PPI believes that lawmakers should focus on delivering three urgent priorities effectively: supporting working families, combatting climate change, and expanding access to affordable health care for those in need. As President Biden has promised, the package should also be fully paid-for with [credible offsets](#).

There can be no doubt that a bill along these lines would constitute an enormous advance for progressive government. When combined with the \$1.9 trillion *American Rescue Plan* and the \$550 billion bipartisan infrastructure bill, this package would represent the third pillar of [the largest and most progressive public investment](#) since the Great Society over 50 years ago. These landmark legislative accomplishments would constitute a clear and indisputable victory for President Biden's vision and a win for Democrats of all stripes.

Here's what a roughly \$2 trillion package should include:

### Supporting Working Families (*\$975 billion*)

The *American Rescue Plan* increased the value of the Child Tax Credit and made the full value of the credit available to low-income families for the first time ever. This policy change has helped cut child poverty in half for 2021 and directly empowered parents to support their children without having to rely on siloed and difficult-to-access welfare bureaucracies. PPI has previously [proposed a framework](#) for making the full expansion permanent that would cost just over \$800 billion. However, Congress could adopt a [smaller expansion of the CTC](#) and redirect the funds for other programs that support working families. This approach is sensible because making the CTC fully available to low-income families both [does more to reduce poverty and costs less](#) than increasing the CTC's total value.

In addition to permanently expanding the CTC, Democrats should invest in our children's education by making preschool, which is shown to [dramatically increase a child's lifetime earnings](#), universally available to three- and four-year olds. The cost of universal preschool should be reduced by either means-testing it or requiring high-income school districts to [help cover the cost of this program](#).

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## ABOUT THE CENTER FOR FUNDING AMERICA'S FUTURE

Launched in 2018, PPI's Center for Funding America's Future works to promote a fiscally responsible public investment agenda that fosters robust and inclusive economic growth. We tackle issues of public finance in the United States and offer innovative proposals to strengthen the foundation of our economy and build shared prosperity.

PPI also believes Washington should stop underinvesting in non-college workers by creating multiple pathways to middle-class jobs, including [new investments](#) in apprenticeships and “last mile” job training initiatives. Finally, lawmakers could offer new parents a [flat paid parental leave benefit](#) that future Congresses could expand into a full paid family and medical leave program if they are willing to consider a [broader menu of offsets](#) to pay for it.

### Combatting the Climate Crisis *(\$600 billion)*

The bipartisan infrastructure bill that passed the Senate in August offered a [strong down payment](#) on tackling the climate crisis, including funding for public transit, energy grid modernization, and carbon capture demonstration projects, but far more needs to be done. The follow-up bill should include a package of well-designed tax credits similar to [the one produced by the Senate Finance Committee](#) that would encourage the adoption of affordable electric vehicles and other green technologies. It should also fund meaningful climate resilience projects and additional investments in breakthrough technologies such as carbon capture, hydrogen energy, geothermal energy, and advanced nuclear power.

Another top priority is the [Clean Energy Payment Program \(CEPP\)](#) that would provide subsidies for electric utilities that increase the share of clean energy they produce by 4% each year while charging smaller penalties for those that do not. These provisions could be responsible for [almost two-thirds](#) of the emissions reductions sought by President Biden.

However, the CEPP has [run into concerns](#) from Sen. Manchin and it [may run afoul](#) of the Byrd rule that governs what policies can be passed through the reconciliation process that allows Democrats to circumvent a Republican filibuster.

Climate change poses a large and growing threat to our economy, so even if the CEPP cannot be included in the package, it must be replaced by another policy to accomplish the same objective. PPI has [long advocated for a carbon tax](#), possibly paired with rebates to mitigate the burden on low- and middle-income families. Some portion of the revenue could also be [earmarked](#) for funding additional investments in research and development to promote innovation and technology growth.

### Strengthening the Affordable Care Act *(\$425 billion)*

Some progressives in Congress, [led by Sen. Sanders](#) (I-Vt.), insist that America’s top health care priority should be expanding Medicare to cover dental, hearing, and vision benefits, which would cost more than \$800 billion in the 10-year period after being fully phased-in. But it hardly seems “progressive” to provide more generous coverage for Medicare beneficiaries when millions of Americans have no health coverage at all — especially considering that the majority of seniors [already have coverage](#) for these services through Medicare Advantage or supplemental Medigap plans.

Instead, PPI believes Democrats should back Speaker Pelosi's call for building on the *Affordable Care Act* by making some share of the *American Rescue Plan's* [expansion of insurance subsidies](#) for middle-income households permanent and by providing coverage to the [more than 2.2 million uninsured people](#) who should be eligible for Medicaid in the 12 states that have yet to expand the program. These provisions to expand coverage should also be paired with [policies to address the out-of-control growth of health care costs](#), such as [price caps](#) or a [national public option](#), to both reduce the net cost of these provisions and make health care more affordable for all Americans. Any expansion of Medicare should be [fully financed by income-based premiums](#) or dropped altogether so it does not draw critical resources away from the other priorities in this package.

## CONCLUSION

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In addition to the Sanders Medicare expansion, PPI's reconciliation framework omits some major elements of Biden's original Build Back Better blueprint, including more public support for child and elder care, community colleges, and more. Their absence here doesn't necessarily mean these priorities are unworthy of Democrats' support, but rather reflects the political imperative of fashioning a compromise package that can unite the party's diverse coalition. It is also critical that lawmakers avoid the temptation to waste limited funds on other parochial priorities, such as cutting taxes for their rich constituents by [weakening or repealing the SALT cap](#), when so many more-worthy priorities are left unfulfilled.

Passing both the infrastructure and social investment bills has become a critical test of Democrats' ability to govern. We urge Democrats to compromise around a set of urgent priorities the American people can understand, develop a consensus plan to pay for it, and work in a radically pragmatic spirit to get this big progressive win across the finish line. That's the best way to help President Biden and their party deliver for the American people.

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## ABOUT THE AUTHOR

Ben Ritz is the Director of PPI's Center for Funding America's Future. He previously staffed the Bipartisan Policy Center's Economic Policy Project and served as Legislative Outreach Director for The Concord Coalition. Ben earned his Master's of Public Policy Analysis and a Graduate Certificate of Public Finance from American University, where he also previously completed his undergraduate education.



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The Progressive Policy Institute is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving America beyond ideological and partisan deadlock.

Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton’s “idea mill.” Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

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