

Democrats Release \$3.5 Trillion Reconciliation Policy Outline

On August 9th, Democrats released the blueprint for the \$3.5 trillion reconciliation bill. This set of instructions runs just over 100 pages and encompasses a very wide variety of Democratic priorities in what they have termed “human infrastructure.” This bill only needs 51 votes in the Senate, so it will not require Republican votes to pass.

This is the start of a long process, so **there will be changes to the policies outlined below** as text is drafted and it works its way through Congress. As context, both government funding and surface transportation authorization run out on September 30th (50 days from now).

What is reconciliation?

Right now Democrats have 50 votes in the Senate and with the filibuster still in play, they would normally need to meet a 60 vote threshold to pass legislation. However, there is a special process called budget reconciliation that would require only 50 votes to pass (with VP Harris providing the tie-breaking vote.) Originally created in 1974 and further refined by the Byrd rule, it's intent and affect must be affecting the federal budget (so no throwing random bills into the process that don't affect the bottom line). Under this process, there must be a congressional resolution – what we're breaking down today - instructing House and Senate committees to draw up legislation to an exact fiscal parameter, which then empowers Congress to write/pass legislation to that exact number. For example, if the re solution we're discussing has a cost of \$3.5 trillion, the final bill cannot be under or over that. This resolution sets the topline number and the priorities, but it's up to committees to fill in with text and specific policies.

Individuals

- Tax rate for individuals: this proposal would raise the tax rate for wealthier Americans. It's not specified how much, and the Administration has stated that no one making below \$400,000 annually will see a change in their tax rate.
- A “historic tax cut” for those making less than \$400,000 without specifying exactly what that cut would be.
- The bill would extend the Child Tax Credit, Earned Income Tax Credit, and Child and Dependent Care Tax Credit, all passed as part of the American Rescue Plan earlier this year. It is not specified how long these would be extended for.
- Funding for Universal Pre-K for 3- and 4-year-olds.
- Funding for child care for working families.
- Would create tuition-free community college.

- Increases the maximum Pell grant award.
- Funding to tackle “Health equity” (maternal, behavioral, and racial equity health investments).

Businesses

- Corporate tax rate: this will be changed under this proposal, but it is not specified how much. Biden originally supported raising the rate to 28% but has since indicated he could support between 25% and 28%. Currently, the corporate tax rate is 21%.
- Funding for workforce development and job training.
- \$25 billion for small business access to credit, investment, and markets.

How will it be paid for?

Funding will be derived from “new tax revenues, health care savings and long-term economic growth.”

What’s next for reconciliation?

The resolution was introduced in the Senate on August 10th, and the Senate immediately moved into a “Vote-A-Rama” or unlimited amendment process. Many have been partisan amendments, as the GOP wanted to force votes on amendments intended to put Democrats on the record on difficult votes.

Once this resolution passes both houses of Congress, Congressional committees have then until September 15th to draft the text for this bill. The Senate Parliamentarian will also have to weigh in, as the Byrd rule governs what can and cannot be considered part of reconciliation.

What’s next for both infrastructure bills?

Pelosi has stated she will not put the Senate bipartisan surface transportation bill on the House floor until the Senate has also passed the reconciliation bill, setting up a problematic time frame. The current transportation authorization expires on September 30th, meaning that funding for projects (think all those road projects near you) will also expire unless the bipartisan infrastructure bill passes Congress. Some states can usually scrape together minimal funds to keep going a little longer, but it will start having an impact on the nation’s infrastructure. If reconciliation gets held up in the Senate (very likely) it’s entirely possible that Congress will have to choose between either passing a short-term infrastructure bill to buy some time or letting programs lapse.

The earliest we could see reconciliation ready is early October.

Questions?

For questions, please contact NPMA's VP of Public Policy, Ashley Amidon, at aamidon@pestworld.org.