

# How to Build Back Better for Less

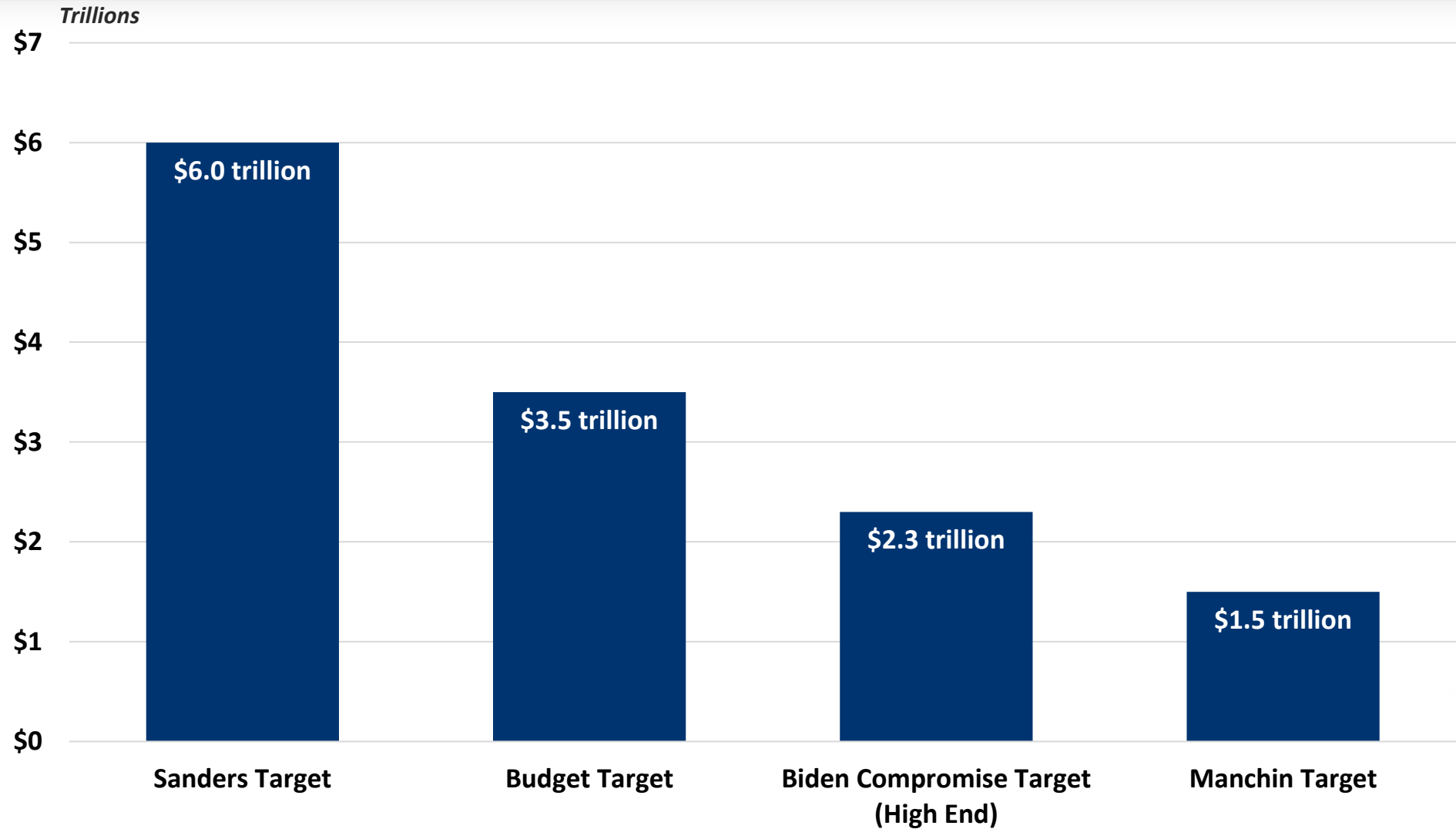
October 2021



**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

*CRFB.org*

# A Big Investment to Build Back Better



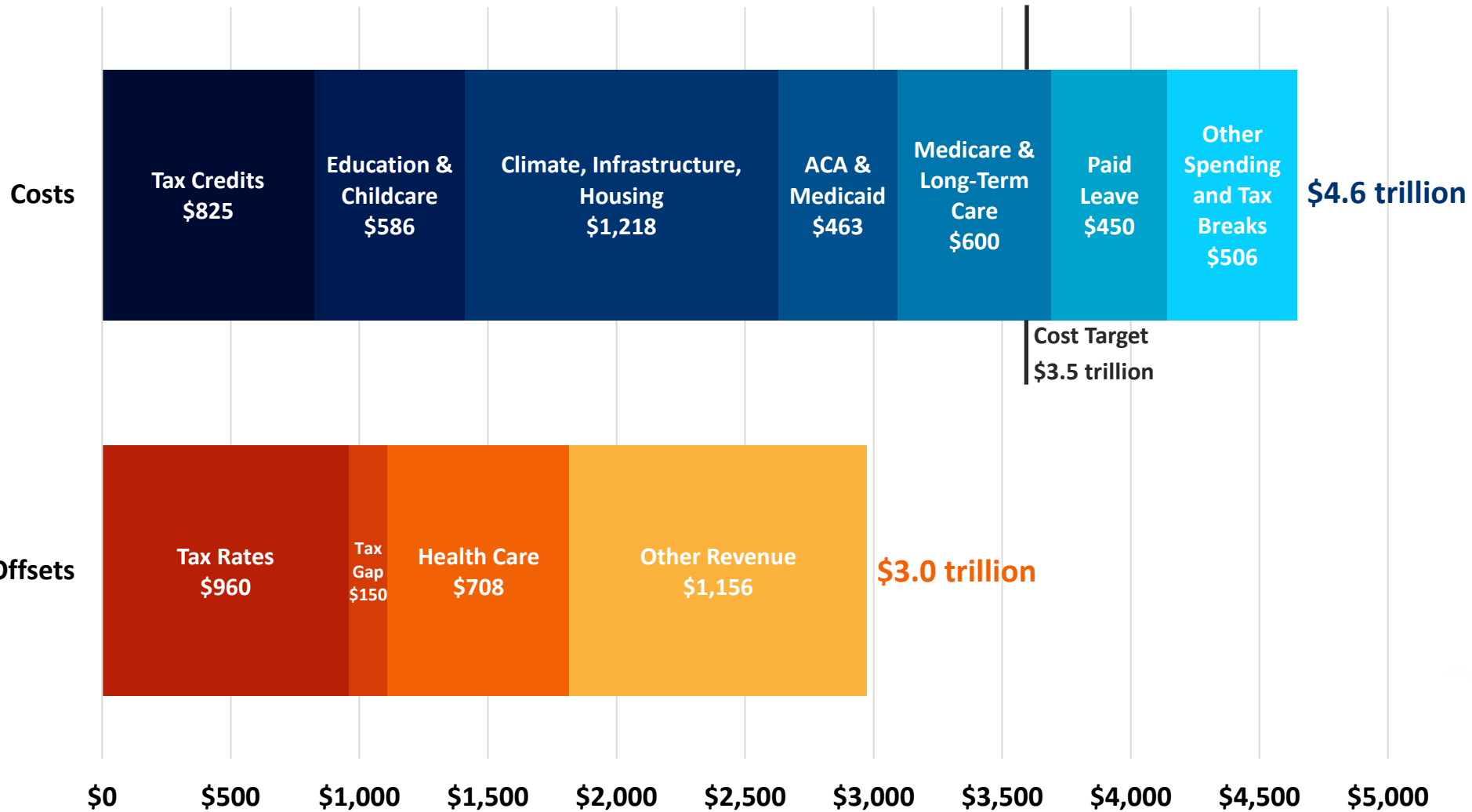
Note: Figures reflect ten-year expenditure totals

Source: Media reports

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# The House Bill Is Over-Budget and Under-Financed



# The House Bill Is Over-Budget and Under-Financed

Rough Estimate of House Bill from Donald Schneider (no CBO score):

Spending & Tax Cuts	Ten-Year Estimate (billions)
<b>Health Care</b>	
Extend ARP Premium Credit	\$163*
Medicaid Expansion & Related	\$300*
Medicare Expansion	\$300
Medicaid HCBS	\$200*
HI Affordability Fund	\$100
<b>Supporting Families</b>	
Child Tax Credit	\$556
Childcare & Pre-K	\$465
Paid Leave	\$450*
EITC	\$135
CDCTC & Caregivers	\$134
Retirement & Saving	\$47
Child Nutrition	\$35
<b>Climate &amp; Environment</b>	
Tax Credits	\$273
E&C (Air/Water/Energy)	\$194
CEPP	\$150
<b>Education/Jobs/Other</b>	
Housing & Development	\$374
Infrastructure Related	\$145
Higher Education	\$121
Immigration	\$108
School Infrastructure	\$82
Workforce Development	\$80
Agriculture & Resilience	\$66
Other	\$170

**TOTAL**

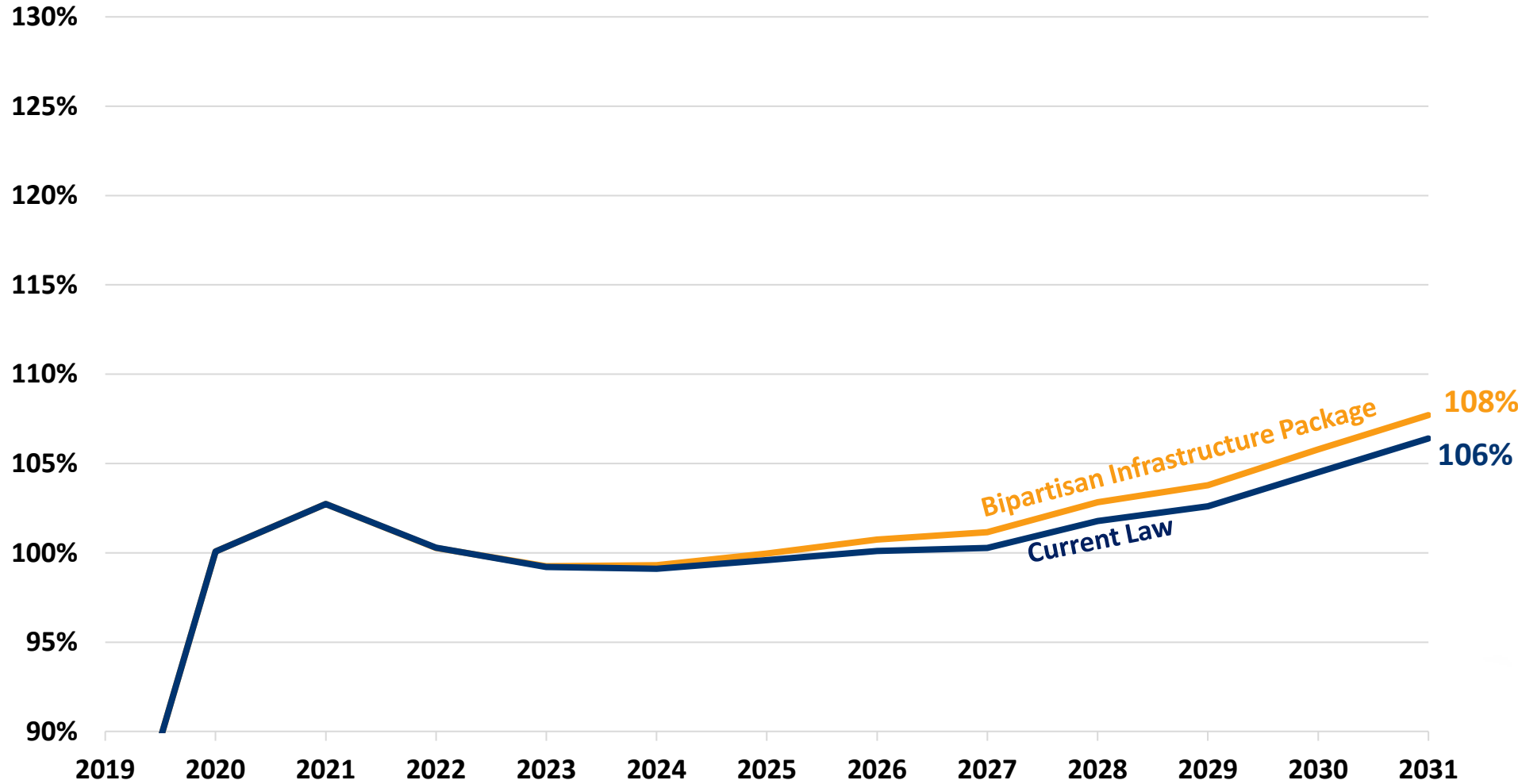
**\$4,647**

**org**



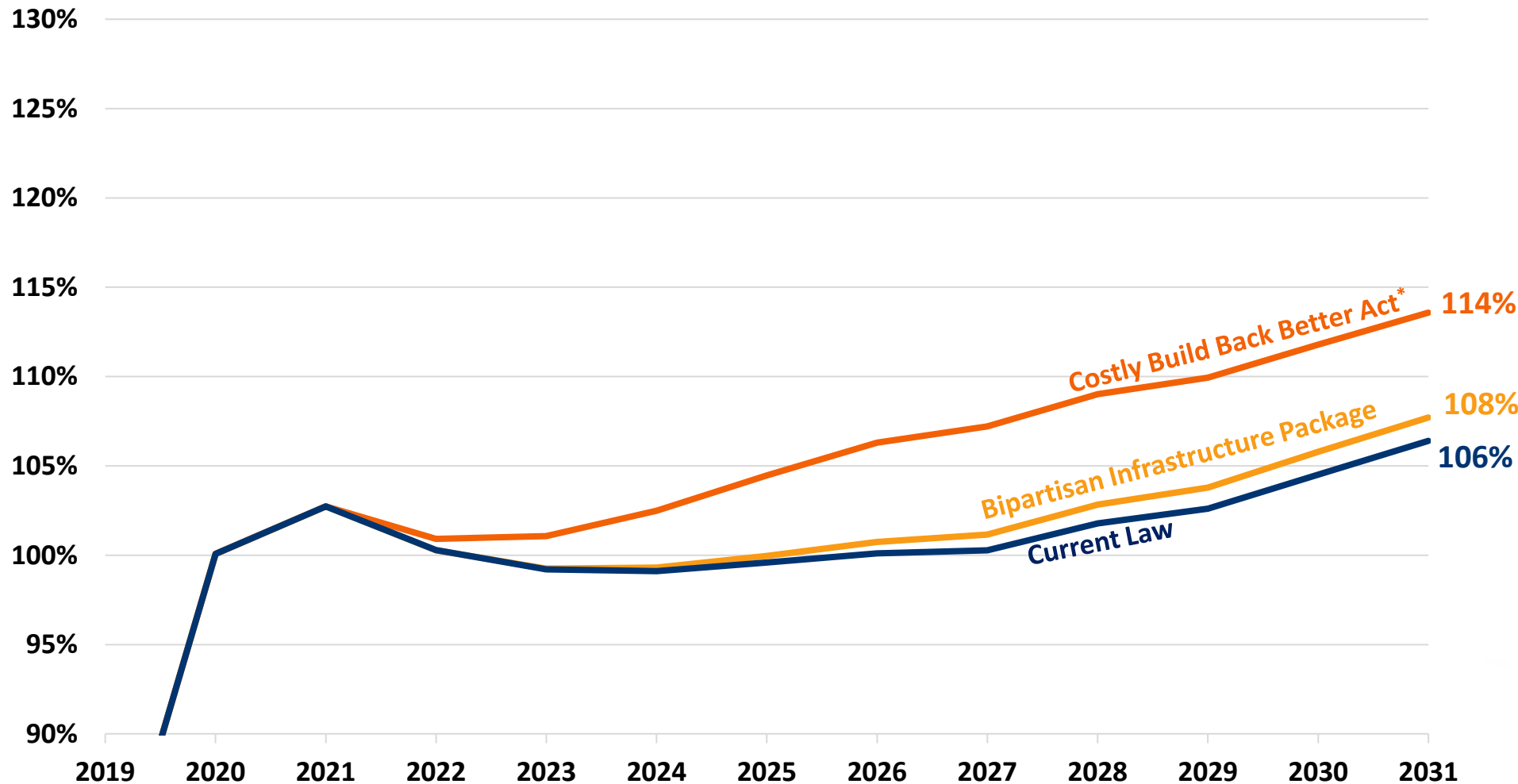
# What Would It Mean for The Debt?

Percent of GDP



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Percent of GDP



\* Assumes full \$1.75 Trillion of Borrowing Allowed by Senate

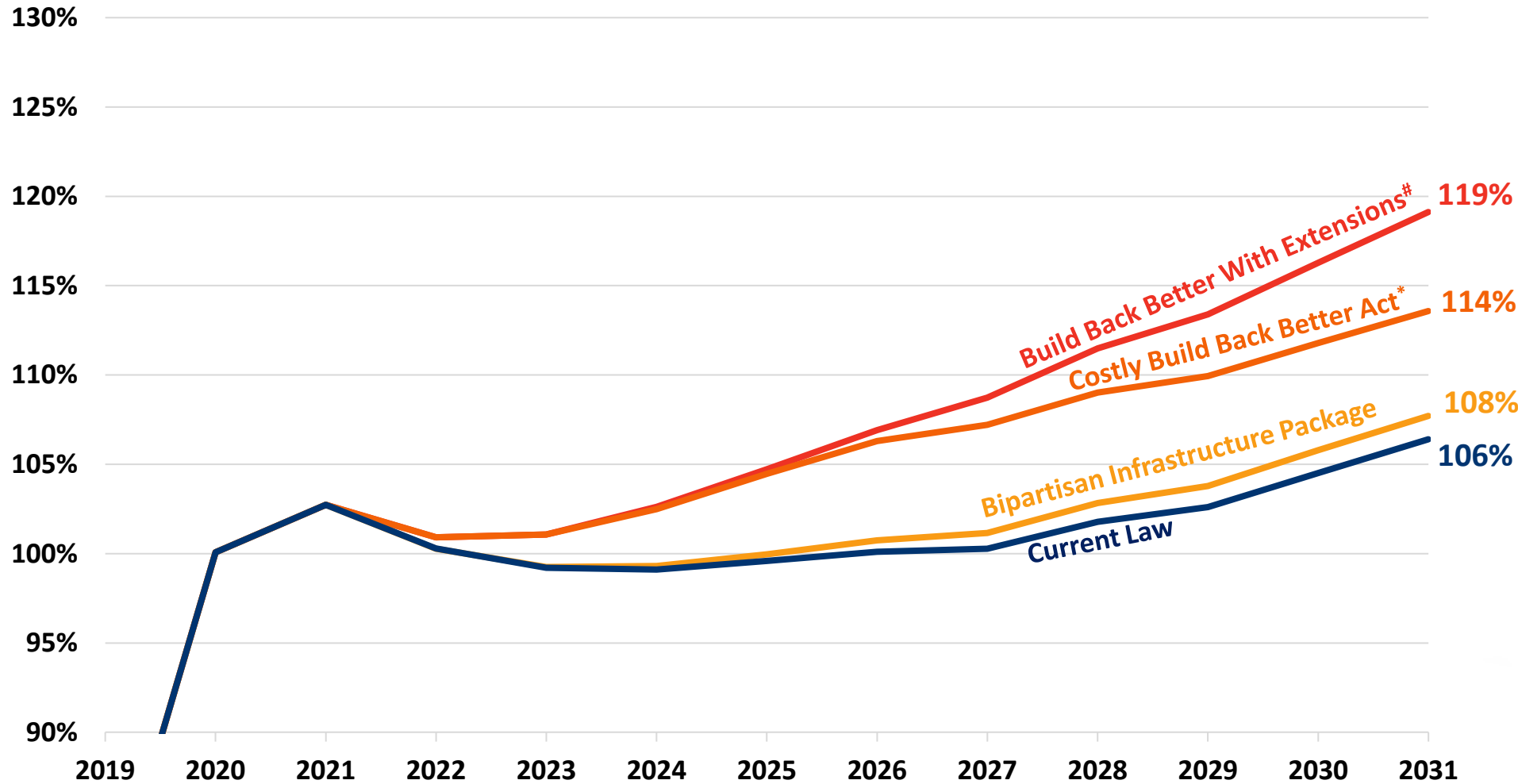
Source: Committee for a Responsible Federal Budget based on Congressional Budget Office data and media reports

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# What Would It Mean for The Debt?

Percent of GDP



# Assumes full \$1.75 Trillion of Borrowing and \$1.75 Trillion of Extensions

\* Assumes full \$1.75 Trillion of Borrowing Allowed by Senate

Source: Committee for a Responsible Federal Budget based on Congressional Budget Office data and media reports

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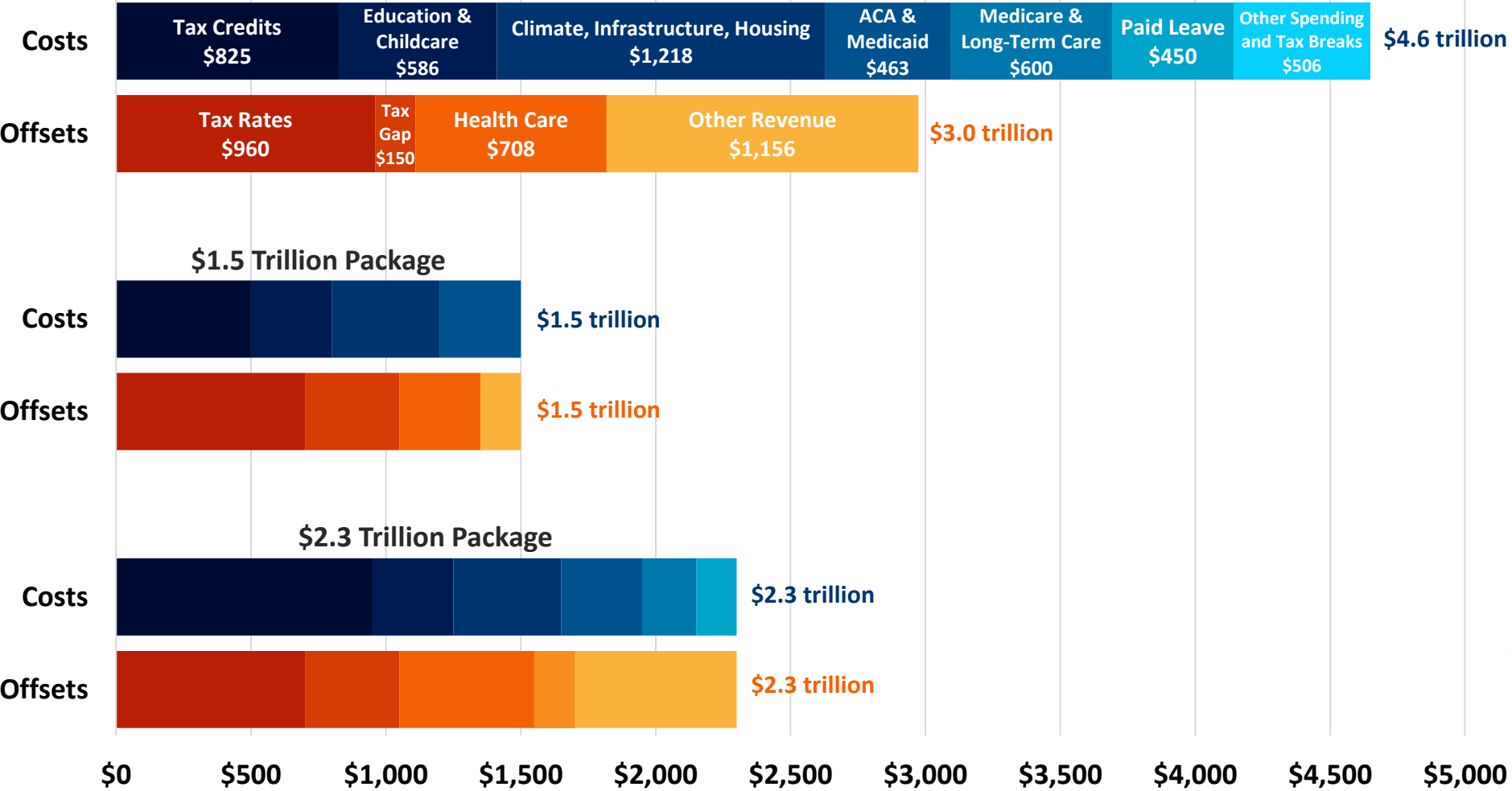
# Fitting \$5 Trillion of Policies In a \$1.5-\$2.3 Trillion Plan

1. **Priorities between policies** – do a few things well
2. **Prioritize within policies** – do what matters most
3. **Minimize cost for maximal return** – means-test, target, find efficiencies, scale, consolidate, and reform
4. **Avoid sunsets and other gimmicks** – sunsets add chaos, put programs at risk, and hide true cost
5. **Pay for new priorities** – offset spending with revenue and health savings; don't add a dollar to the debt
6. **Mind the politics** – do what can pass



# Two Plans to Build Back Better for Less

## House Package

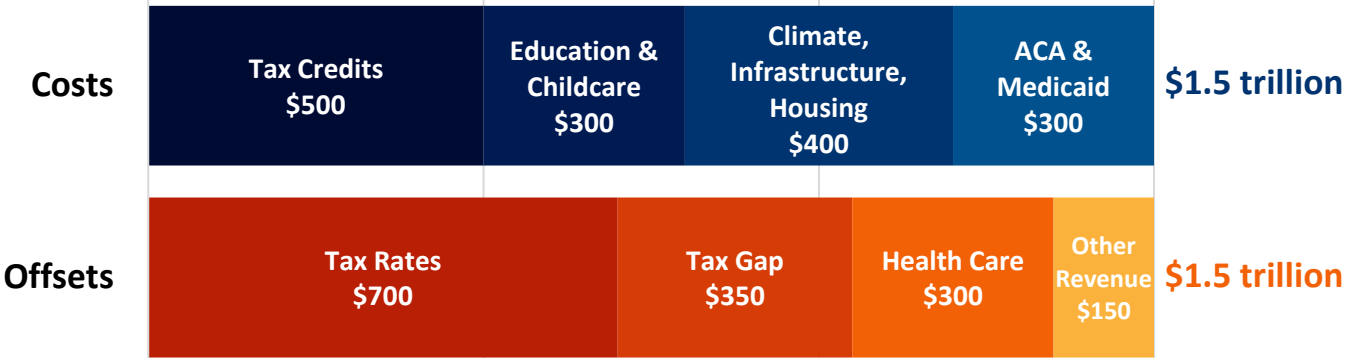


Source: Donald Schneider (CBO has not released a score of the full House reconciliation bill), Committee for a Responsible Federal Budget

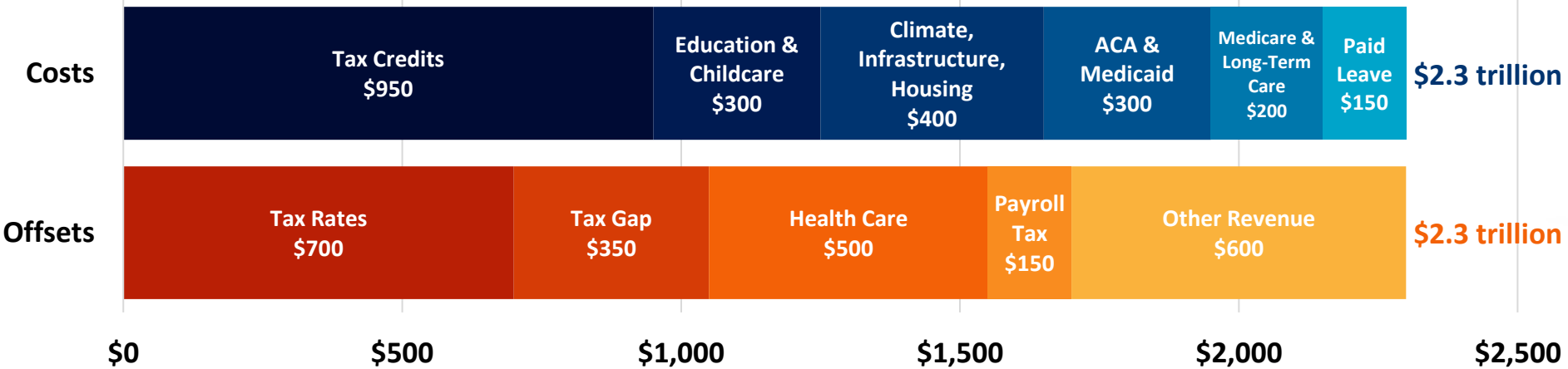
# Two Plans to Build Back Better for Less

Billions

## \$1.5 Trillion Package



## \$2.3 Trillion Package



Source: Committee for a Responsible Federal Budget

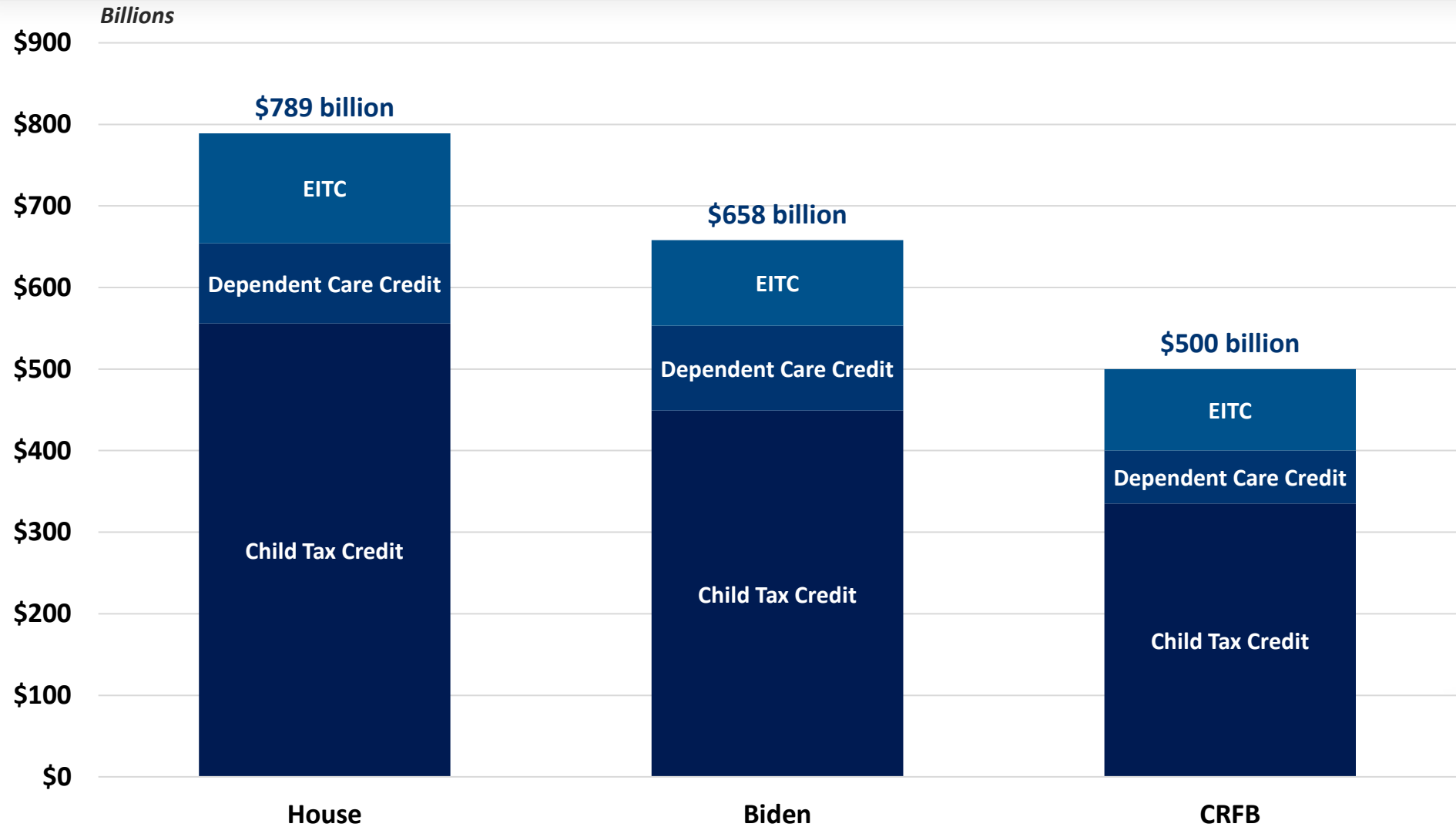
# Two Plans to Build Back Better for Less

Policy	\$1.5 Trillion Package	\$2.3 Trillion Package
Extend expanded tax credits	\$500 billion	\$950 billion
Enact climate, infrastructure, and housing policies	\$400 billion	\$400 billion
Increase health-care-related spending	\$300 billion	\$500 billion
Fund pre-K, community college, and child care	\$300 billion	\$300 billion
Provide paid family leave	\$0	\$150 billion
<b>Total, Gross Costs</b>	<b>\$1.5 trillion</b>	<b>\$2.3 trillion</b>
Raise individual, corporate, and capital gains tax rates	-\$700 billion	-\$700 billion
Improve tax compliance	-\$350 billion	-\$350 billion
Reduce health care costs	-\$300 billion	-\$500 billion
Reform international corporate taxation	\$0	-\$200 billion
Establish employer paid leave payroll tax	\$0	-\$150 billion
Other revenue increases	-\$150 billion	-\$400 billion
<b>Total, Offsets</b>	<b>-\$1.5 trillion</b>	<b>-\$2.3 trillion</b>

# The \$1.5 Trillion Illustrative Package

Policy	Cost/Savings (-)
<b>Support for Families and Households</b>	<b>\$1.1 trillion</b>
Extend expanded CTC, EITC, and CDCTC with reforms and consolidations	\$500 billion
Expand and reform ACA spending, including ARP subsidies and Medicaid gap	\$300 billion
Fund universal, affordable pre-K	\$140 billion
Provide means-tested, tuition-free community college	\$100 billion
Double Child Care and Development Block Grants	\$60 billion
<b>Address Climate Change and Infrastructure</b>	<b>\$400 billion</b>
Expand climate-related tax breaks	\$200 billion
Increase climate-related spending (R&D, procurement, etc.)	\$100 billion
Fund housing and infrastructure spending and tax breaks	\$100 billion
<b>Total, Spending, Tax Breaks, and Investments</b>	<b>\$1.5 trillion</b>

# Expand and Reform CTC, EITC, and CDCTC



# Expand and Reform CTC, EITC, and CDCTC

## The details:

- Provide a \$150 per child refundable monthly benefit, increased to \$200 per month for children under age six (for a total of \$1,800/\$2,400).
- Provide an additional \$1,200 refundable CTC, phased in with earnings as in current law.
- Means test the combined credits during tax filing, with single filers making over \$50,000 and married filers making over \$100,000 seeing the initial \$1,000 (or \$1,600 for kids under six) phased out and the rest phased out over \$200,000 for single/\$400,000 for married filers.
- Provide a fully refundable CDCTC of 50 percent of expenses for those making \$40,000 or less, phased down to 20 percent above \$100,000 to 0 percent between \$400,000 and \$440,000. Maximum credit of \$4,000 for one dependent and \$8,000 for two or more.
- Make a young child eligible for either the CDCTC *or* the \$50 per month CTC supplement.
- Extend EITC expansion similar to the ARP.
- Enact other changes as necessary to address interactions, target benefits, and contain costs.

# Expand and Reform CTC, EITC, and CDCTC

	Current Law (pre-ARP)	Biden Proposal	Illustrative Plan
<b>CTC</b>			
Maximum per child CTC	\$2,000	\$3,000	\$3,000
Amount paid monthly	\$0	\$125	\$150
Maximum refundable CTC	\$1,400	\$3,000	\$3,000
Credit w/ no 15% phase-in	\$0	\$3,000	\$1,800
Phasedown thresholds*	\$400k	\$150k & \$400k	\$100k & \$400k
Additional CTC for 0-5-year-olds	\$0	\$600	\$600 or CDCTC
<b>CDCTC</b>			
Maximum Credit (% of costs)	35% up to \$1,050	50% up to \$4,000	50% up to \$4,000
Phase down thresholds*	\$15k & n/a	\$125k & \$400k	\$40k & \$400k
Refundable or non-refundable	Non-refundable	Refundable	Refundable

\* First figure is when credit starts to phase down (CTC from \$3,000 to \$2,000; CDCTC from 50% to 20%),  
second figure is when credit starts to phase out

Source: Committee for a Responsible Federal Budget



# Expand and Secure the Affordable Care Act

**Our reforms cost ~\$300 billion as opposed to \$500 billion.**

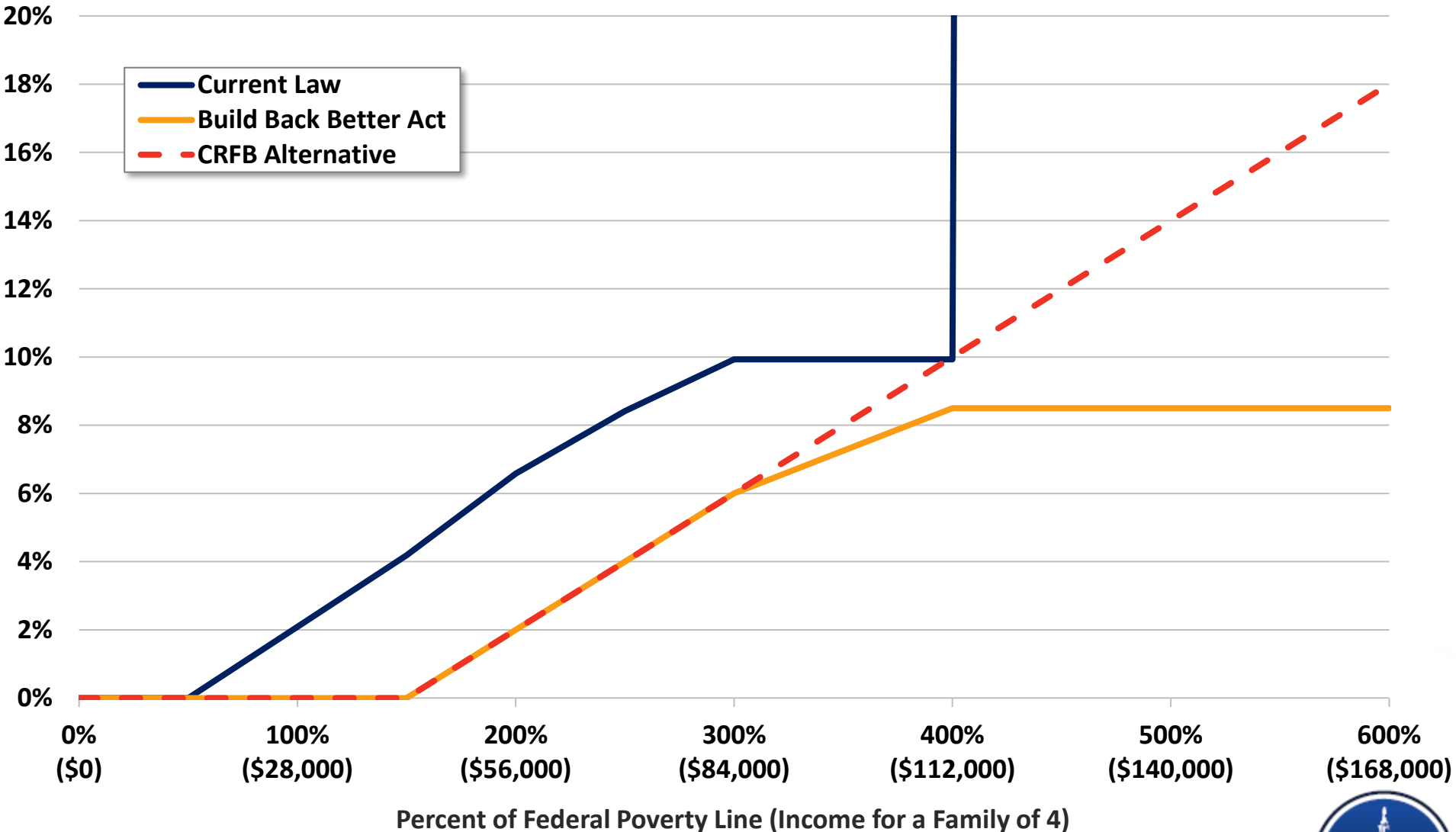
## **The details:**

- Restore cost-sharing reduction payments discontinued by the Trump Administration.
- Establish a state-based reinsurance and invisible risk pool fund.
- Extend subsidy increases with a more progressive formula above 300 percent of poverty.
- Establish federal Medicaid program for those below 138 percent of poverty in gap states.
- Provide those below poverty exchange subsidies until federal Medicaid is established.



# Expand and Secure the Affordable Care Act

ACA Premium Subsidy Cap, 2023 (Percent of Income)



# Pre-K, Child Care, and Community College

## **Fund Universal, Affordable Pre-K (\$140 billion)**

The President's budget proposes grants to states to support universal pre-K for all three- and four-year-olds. While the White House estimates this would cost \$140 billion over a decade, meeting that budget could require means testing or targeting in some states.

## **Provide Means-Tested, Tuition-Free Community College (\$100 billion)**

The President's budget proposes to fund up to two years of universal tuition-free community college at a cost of roughly \$110 billion. Our illustrative package includes tuition-free community college for those in households earning less than \$100,000 per year, phased out gradually above that. To the extent total costs fall below \$100 billion, remaining funds could be used to support college completion grants or to provide other higher education support.

## **Double Child Care and Development Block Grants (\$60 billion)**

In addition to substantially expanding the CDCTC, the President's budget proposes a new set of subsidies designed to limit a family's child care costs to 7 percent of income. The White House estimates its proposal would cost \$225 billion, but actual costs could be higher.

To support state and local efforts to provide for affordable child care, our illustrative alternative would appropriate \$60 billion over ten years toward Child Care and Development Block Grants. This would roughly double the size of these grants, assuming appropriations continue as projected. This grant funding would be in addition to the expanded CDCTC.

# Targeted Pre-K and Care Do More for Economic Growth

## GDP impact of different proposals

Year	Targeted Childcare	Universal Childcare	Targeted Pre-K	Universal Pre-K	Targeted Pre-K and Childcare	Universal Pre-K and Childcare
2031	+0.3	0.2	+0.1	0	+0.2	+0.1
2041	+0.2	0	0	0	+0.2	0
2051	+0.1	-0.2	+0.1	0	+0.1	-0.2

# \$400B More, \$1T Total, for Climate and Infrastructure

Policy	Cost
Renewable energy and efficiency tax credits (House GREEN Act)	\$135 billion
Electric car, renewable fuels, and energy efficiency credits (Biden)	\$65 billion
Climate-related spending (R&D, procurement, green infra bank, etc.)	\$100 billion
Infrastructure & affordable housing spending and tax breaks	\$100 billion
<b>Subtotal, Climate and Infrastructure Spending in Illustrative Plan</b>	<b>\$400 billion</b>
<i>Climate and Infrastructure spending in Bipartisan Infrastructure Plan</i>	\$572 billion
<b>Total Climate and Infrastructure Policies in “Build Back Better”</b>	<b>\$972 billion</b>

# Additional Spending in the \$2.3 Trillion Package

Policy	Cost/Savings (-)
<b>Support Families and Households</b>	<b>\$1.9 trillion</b>
Make permanent expanded CTC, EITC, and CDCTC with reforms and consolidations	\$950 billion (+\$450 billion)
Expand and reform ACA spending, including ARP subsidies	\$300 billion
Fund affordable pre-K, community college, and child care block grants	\$300 billion
Provide paid family leave benefits using Social Security benefit formula	\$150 billion
Support Medicaid home- and community-based services	\$150 billion
Establish a hearing and vision Medicare benefit with a 25 percent premium	\$50 billion
<b>Address Climate Change and Infrastructure</b>	<b>\$400 billion</b>
Expand climate-related tax breaks and spending	\$300 billion
Fund housing and infrastructure spending and tax breaks	\$100 billion
<b>Total, Spending, Tax Breaks, and Investments</b>	<b>\$2.3 trillion</b>

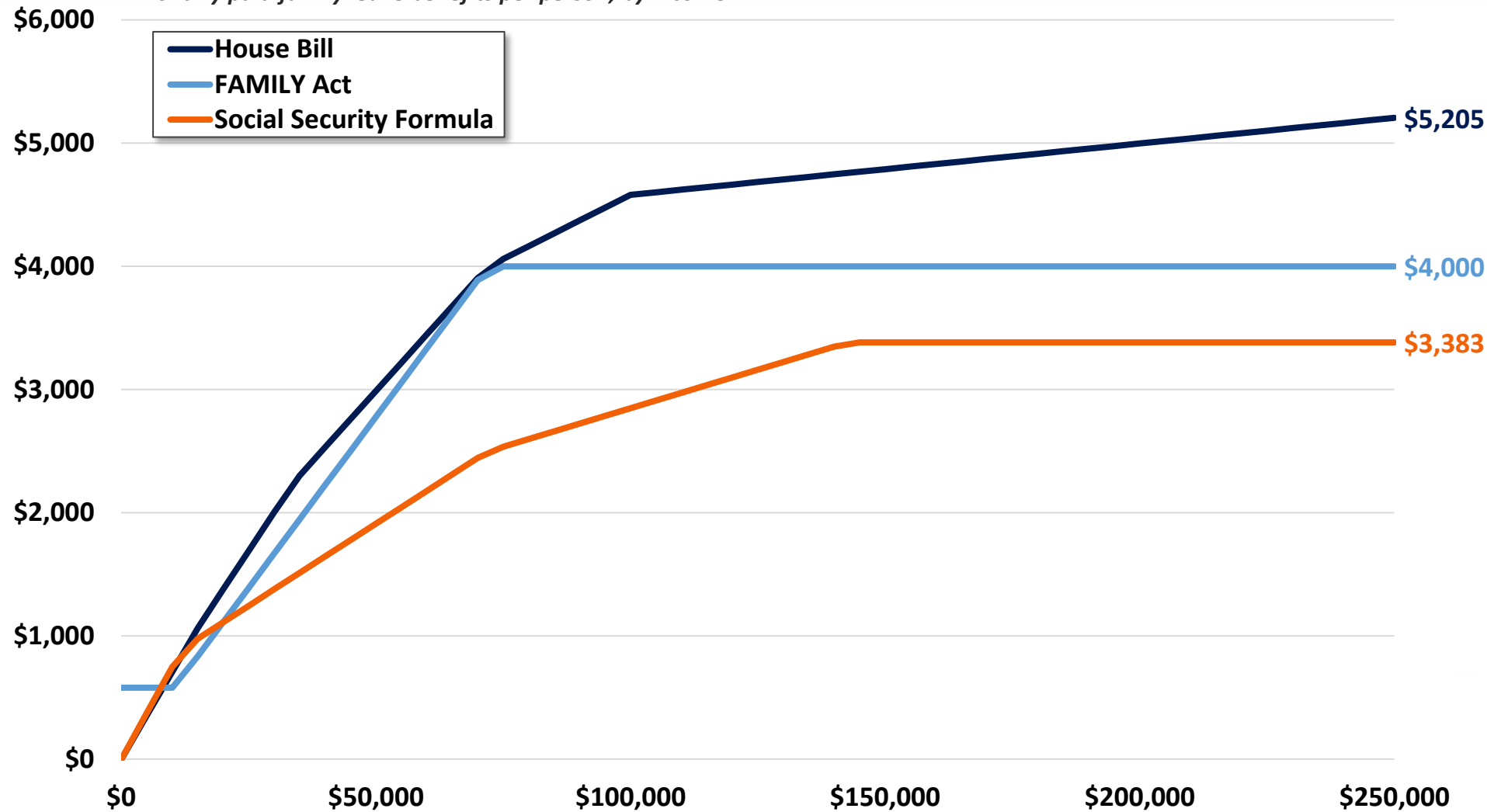
Note: Changes from \$1.5 trillion illustrative package in blue

Source: Committee for a Responsible Federal Budget

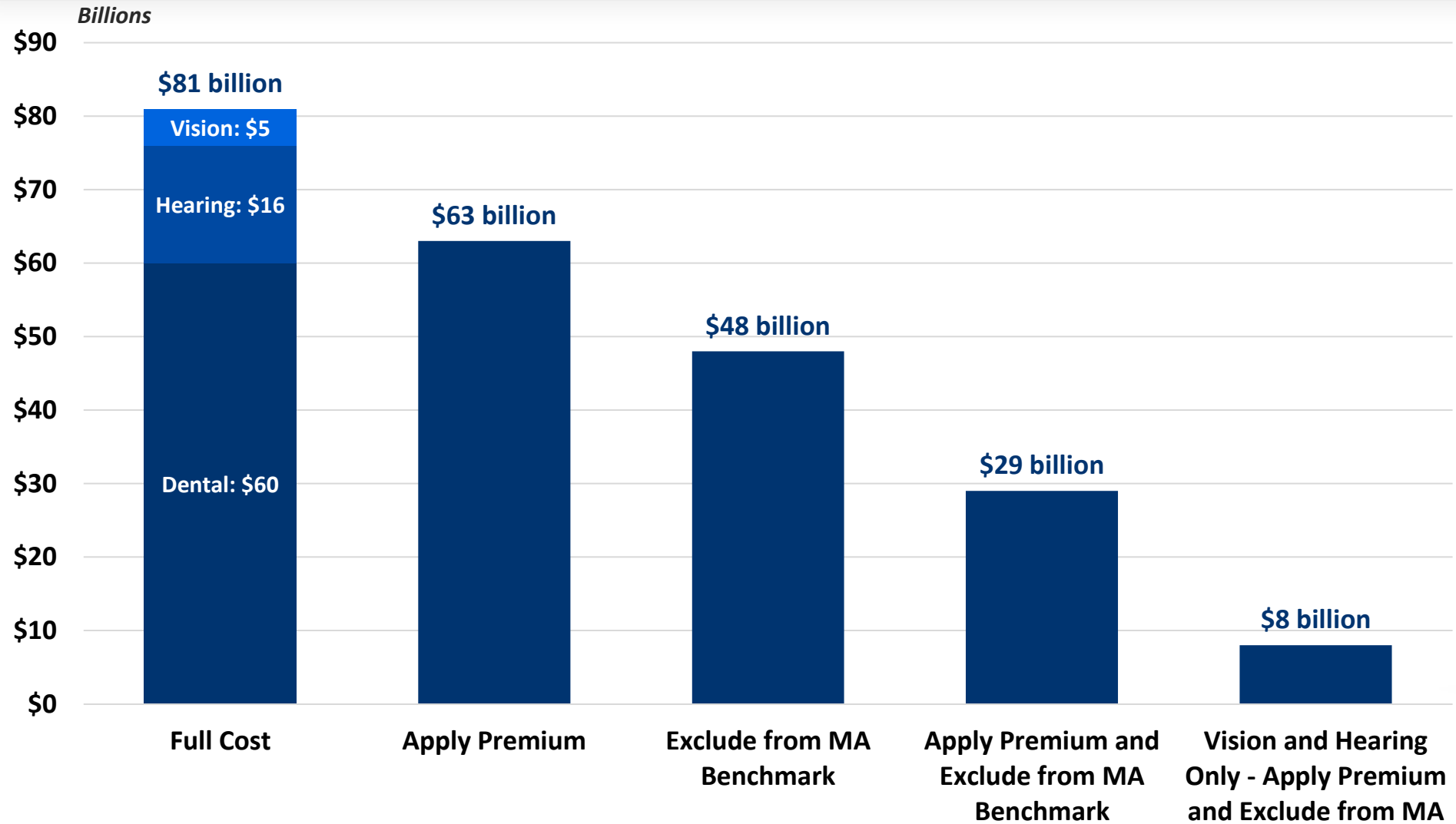


# Family Leave w/ SS Formula Costs ~1/4 of House Paid Leave

Monthly paid family leave benefits per person, by income



# Vision and Hearing at 1/10 the Cost of Full Expansion



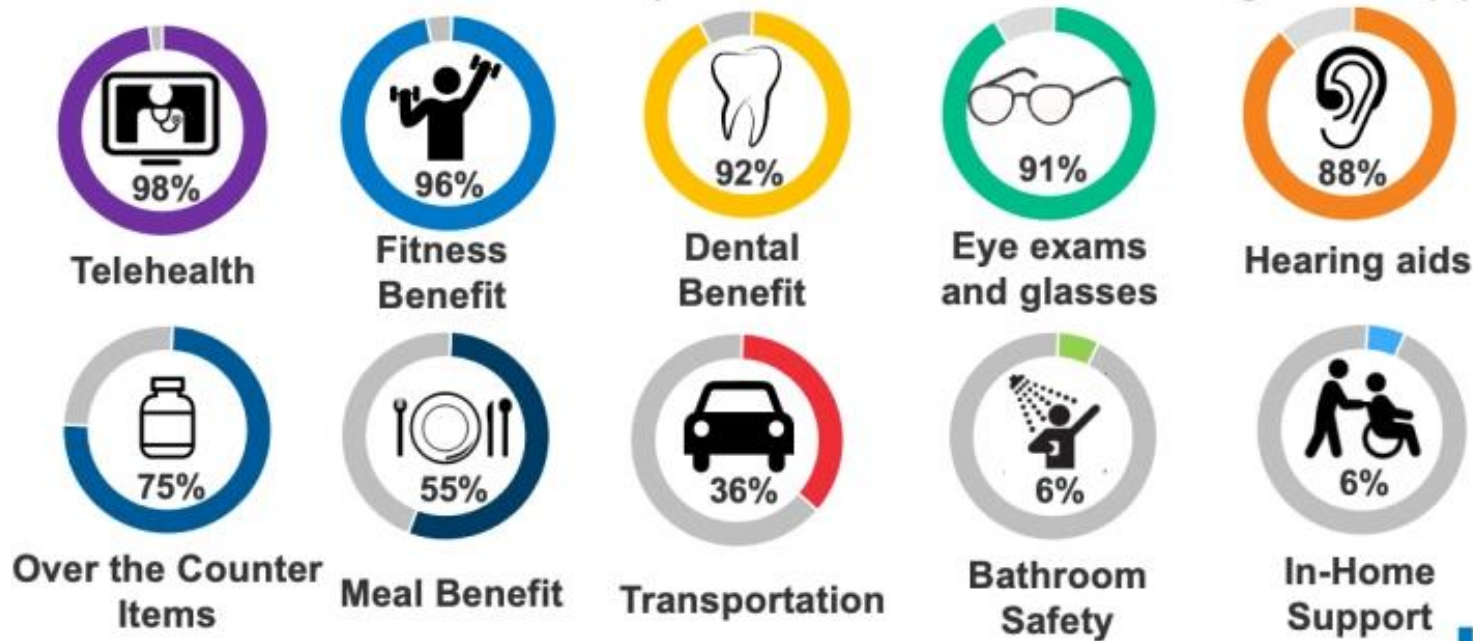
Note: Figures reflect annual costs

Source: Committee for a Responsible Federal Budget based on data from Brookings Institution and the Congressional Budget Office

# Most Seniors Already Have Access to Dental

Figure 7

Most Medicare Advantage plans provide fitness and dental benefits but much fewer provide in-home or caregiver support



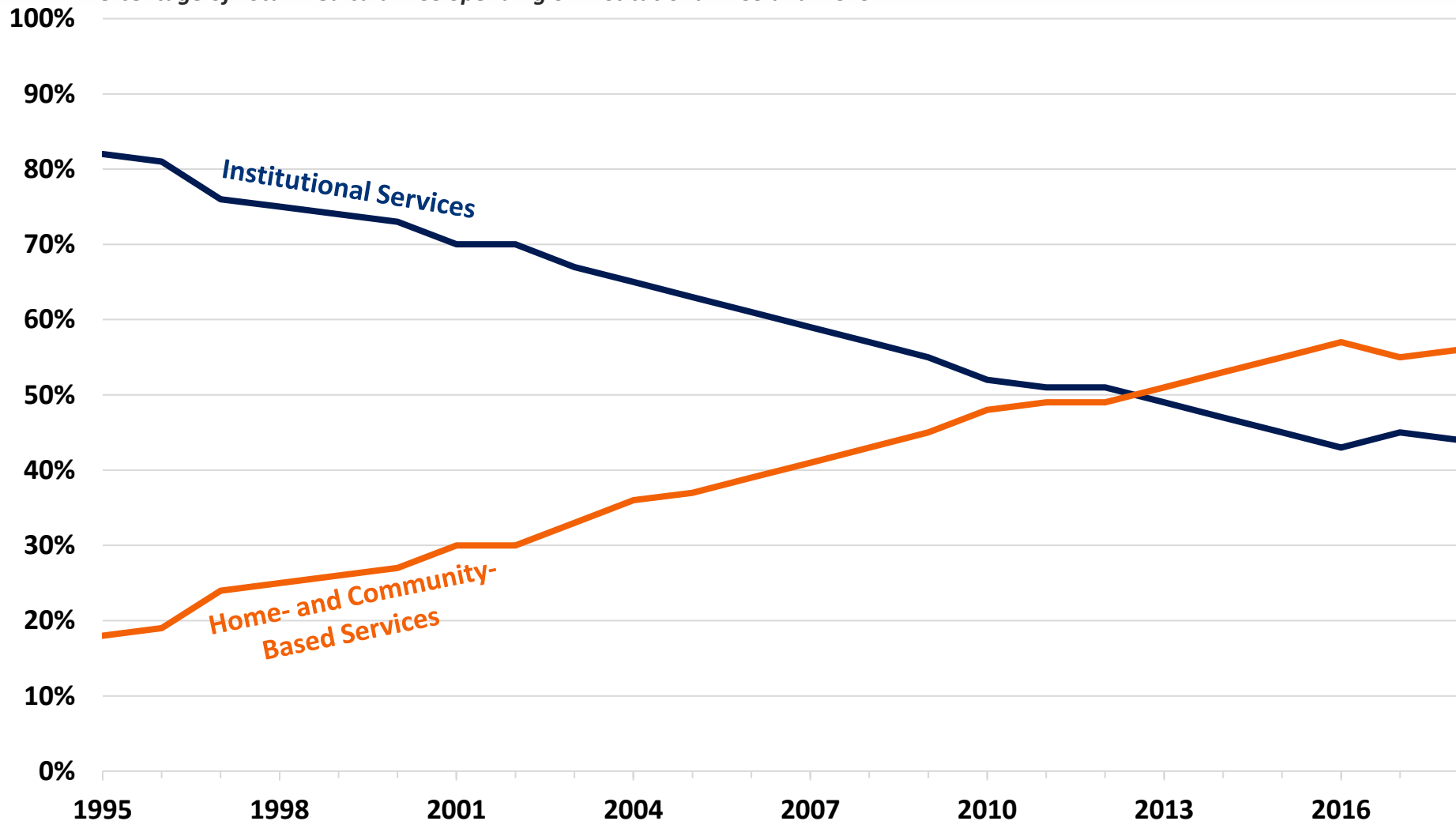
NOTE: Dental includes plans that only provide preventive benefits, such as cleanings. Excludes SNPs, EGHPs, HCPPs, and PACE plans.  
SOURCE: KFF analysis of CMS's Landscape and Benefit files for 2021.





# There's a Growing Need for Home- and Community-Based Services – \$150 Billion Would Go A Long Way

Percentage of Total Medicaid LTSS Spending on Institutional LTSS and HCBS



Note: LTSS is long-term services and supports. HCBS is home- and community-based services

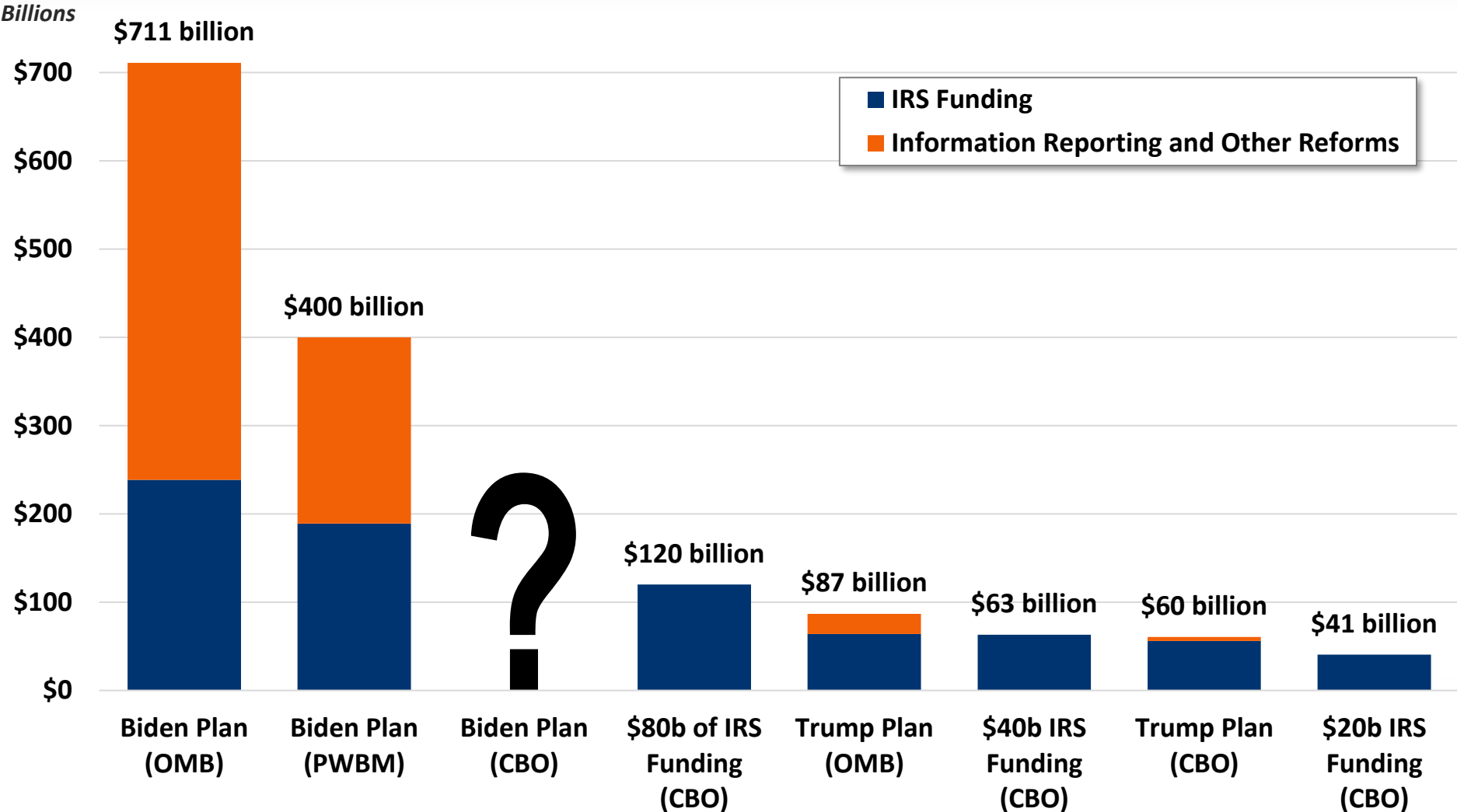
Source: Medicaid and CHIP Payment and Access Commission



# Offsets in the \$1.5 Trillion Package

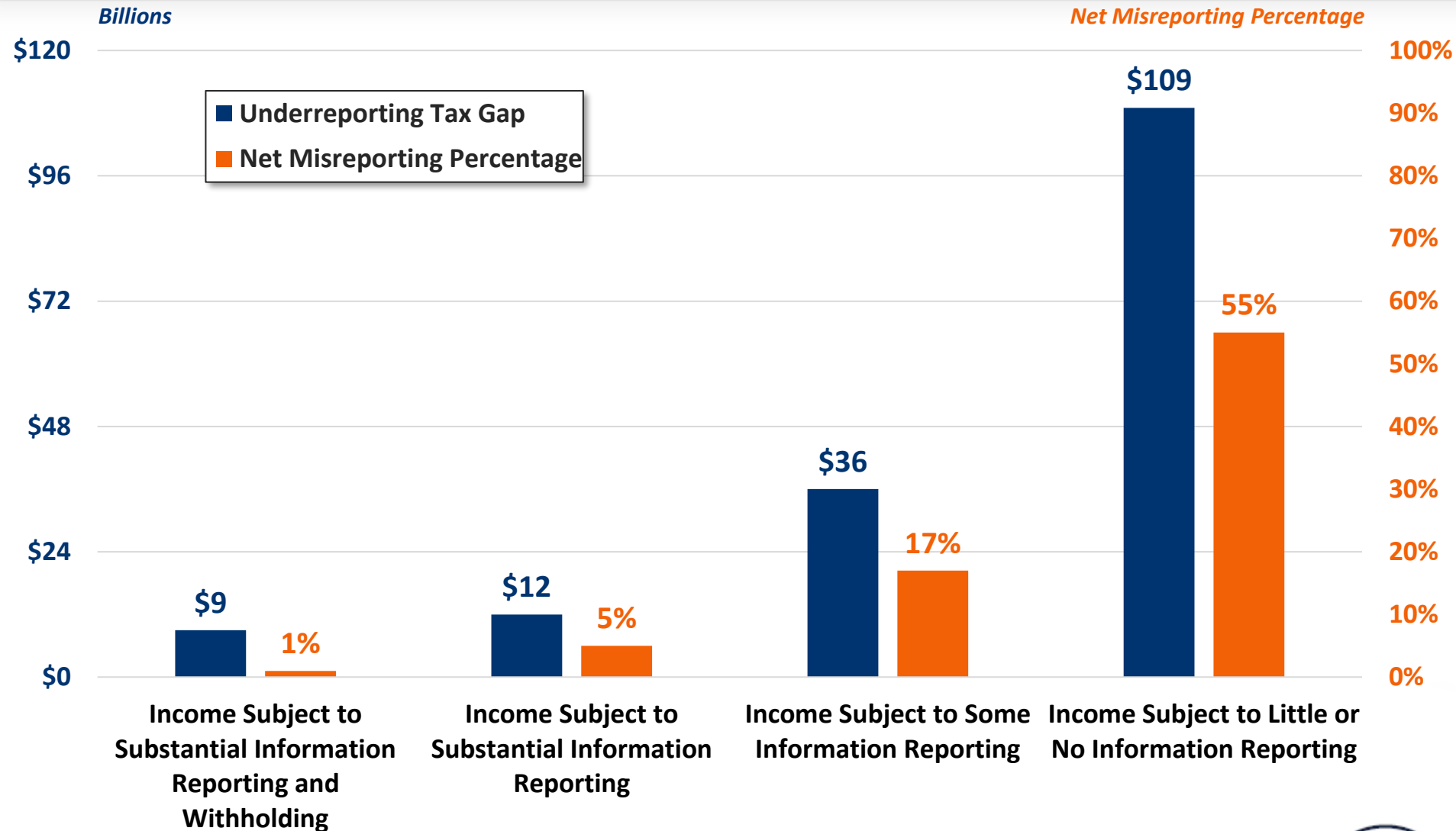
Policy	Cost/Savings (-)
<b>Raise Tax Rates</b>	<b>-\$700 billion</b>
Raise corporate tax rate to 25 percent	-\$410 billion
Raise top individual income tax rate to 39.6 percent above \$400,000 of income	-\$170 billion
Raise capital gains tax rate to 24.2 percent and close carried interest loophole	-\$120 billion
<b>Improve Tax Compliance</b>	<b>-\$350 billion</b>
Fund IRS tax enforcement	-\$120 billion
Expand bank information reporting	-\$200 billion
Improve tax rules (see <a href="#">Ways &amp; Means package</a> )	-\$30 billion
<b>Enact Other Tax Increases</b>	<b>-\$150 billion</b>
Increase & reform estate tax <b>OR</b> phase in carryover basis of capital gains at death	-\$80 billion
Restore Superfund taxes on oil	-\$20 billion
Extend current limit on business losses	-\$50 billion
<b>Reduce Prescription Drug Costs</b>	<b>-\$300 billion</b>
Permanently repeal Trump Administration drug rebate rule	-\$150 billion
Reduce prescription drug prices	-\$150 billion
<b>Total, Offsets</b>	<b>-\$1.5 trillion</b>
<b>Net Fiscal Impact of \$1.5 Trillion Package</b>	<b>\$0</b>

# Closing the Tax Gap Raises Revenue Without Raising Taxes



Source: Congressional Budget Office, Office of Management and Budget, Penn Wharton Budget Model

# Information Reporting Massively Improves Compliance



# Closing the Tax Gap is a Bipartisan Priority



Reagan



Bush Sr.



Clinton



Bush Jr.



Obama



Trump



Biden

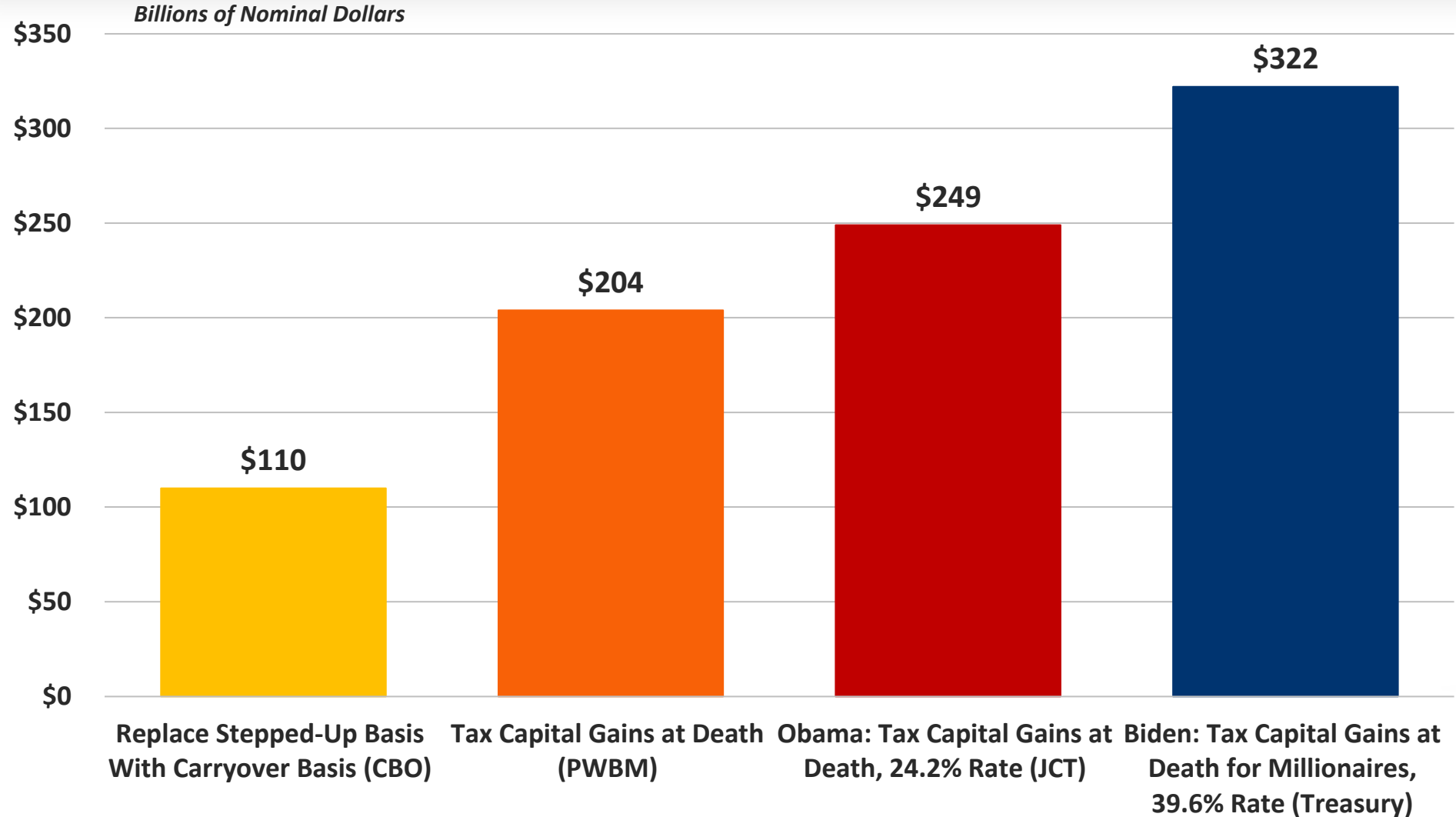
IRS Funding	✓	✓	✓	✓	✓	✓	✓
Information Reporting	*	*	✓	✓	✓	*	✓
Penalties and Oversight	✓		✓	✓	✓	✓	✓
Other Tax Gap Measures	✓	✓	✓	✓	✓	✓	✓
Reducing the Tax Gap	✓	✓	✓	✓	✓	✓	✓

\* Supported modest information reporting enhancements as a component of another policy



# Reforming Stepped-Up Basis Would Generate Substantial Revenue

Billions of Nominal Dollars



*Note: Costs are in billions of nominal dollars and are over the applicable budget window when the policy was scored. For reference, replacing stepped-up basis with carryover basis and taxing capital gains at death is scored over the 2021-2030 budget window. The Obama proposal is scored over the 2016-2026 window and the Biden proposal is scored over the 2022-2031 window.*

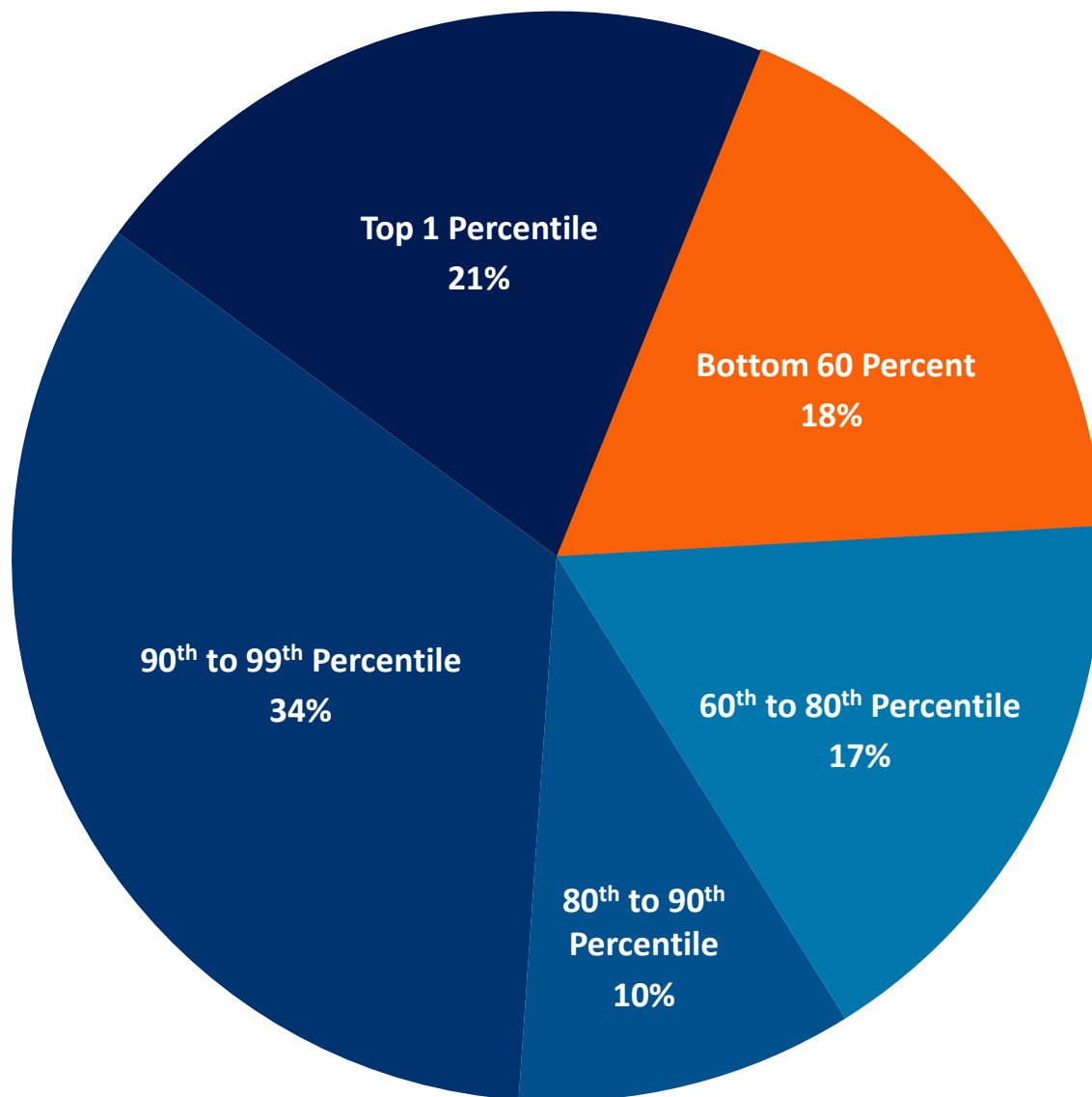
*Sources: Congressional Budget Office, Joint Committee on Taxation, U.S. Department of Treasury.*

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# While Improving Tax Efficiency, Equity, and Fairness

*Share of Tax Benefit from Stepped-Up Basis*



Source: Congressional Budget Office

# More Offsets in the \$2.3 Trillion Illustrative Package

Policy	Cost/Savings (-)
<b>Raise Tax Rates</b>	<b>-\$700 billion</b>
Raise corporate tax rate to 25 percent	-\$410 billion
Raise top individual income tax rate to 39.6 percent above \$400,000 of income	-\$170 billion
Raise capital gains tax rate to 24.2 percent and close carried interest loophole	-\$120 billion
<b>Improve Tax Compliance</b>	<b>-\$350 billion</b>
Fund IRS tax enforcement	-\$120 billion
Improve bank information reporting and improve tax rules (see <a href="#">Ways and Means package</a> )	-\$230 billion
<b>Other Taxes</b>	<b>-\$750 billion</b>
Close gap in the 3.8 percent NIIT/SECA tax on high-income households	-\$250 billion
Reform international tax rules	-\$200 billion
Establish 0.2 percent employer payroll tax to fund paid family leave	-\$150 billion
Increase & reform estate tax <b>OR</b> phase in carryover basis of capital gains at death	-\$80 billion
Restore Superfund taxes on oil	-\$20 billion
Extend current limit on business losses	-\$50 billion
<b>Reduce Health Care Costs</b>	<b>-\$500 billion</b>
Reduce prescription drug costs	-\$300 billion
Reduce health care costs (Medicare providers, Medicare Advantage, drugs)	-\$200 billion
<b>Total, Offsets</b>	<b>-\$2.3 trillion</b>
<b>Net Fiscal Impact of \$2.3 Trillion Package</b>	<b>\$0</b>

Note: Changes from \$1.5 trillion illustrative package in *blue*

Source: Committee for a Responsible Federal Budget

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# Health Savings Options

Policy	Ten-Year Savings
<b>Reduce Prescription Drug Costs</b>	
Require drug price negotiations with international cap	Up to \$500 billion
Enact Part D formula re-design	\$5 to \$75 billion
Cap drug price growth at inflation	\$35 to \$80 billion
Transition Medicare Part B payments to a system that fosters competition among clinically comparable drugs	\$120 billion
Expand Medicare and Medicaid Drug Rebates	up to \$150 billion
Prevent evergreening delays of generic drug competition through FDA exclusivity rules	\$10 billion
<b>Reduce or Reform Medicare Provider Payments</b>	
Equalize Medicare payments regardless of site-of-care	\$150 to \$280 billion
Reduce and reform payments for uncompensated care	up to \$90 billion
Reduce and reform Medicare post-acute care payments	\$50 to \$100 billion
Reduce and reform payments for Graduate Medical Education	\$35 to \$90 billion
Reduce or repeal Medicare payments for bad debts	\$25 to \$80 billion
Expand use of bundled payments	\$10 to \$50 billion

*Note: All numbers rounded to the nearest \$5 billion*

*Source: Congressional Budget Office, Health Savers Initiative, and Committee for a Responsible Federal Budget*



# Health Savings Options

Policy	Ten-Year Savings
<b>Reduce or Reform Medicare Advantage (MA) Payments</b>	
Adjust Medicare Advantage payments for accurately for coding intensity	\$45 to \$355 billion
Set Medicare Advantage payments using competitive bidding	\$55 to \$230 billion
Modify risk adjustment payments in Medicare Advantage	\$50 to \$80 billion
Reduce excessive quality bonus payments to Medicare Advantage plans	\$30 to \$165 billion
<b>Enact Affordable Care Act (ACA) Savings</b>	
Establish a public option for the health exchanges	~\$150 billion
Restore cost-sharing reductions funding	~\$100 billion
Recapture excessive premium subsidies	\$50 billion

*Note: All numbers rounded to the nearest \$5 billion*

*Source: Congressional Budget Office, Health Savers Initiative, and Committee for a Responsible Federal Budget*



# We Don't Hide the True Costs with Numerous Expirations\*

**Illustrative Cost of reconciliation in *extreme* case that ALL provisions expired and were later extended without offsets**

	<b>“True Cost” of \$1.5T Package (with extensions)</b>	<b>“True Cost” of \$2.3T Package (with extensions)</b>
<b>Sunset After 2 Years (Jan 1, 2024)</b>	\$9.3 trillion	\$14.3 trillion
<b>Sunset After 4 Years (Jan 1, 2026)</b>	\$4.0 trillion	\$6.2 trillion
<b>Sunset After 6 Years (Jan 1, 2028)</b>	\$3.1 trillion	\$3.8 trillion
<b>Sunset After 8 Years (Jan 1, 2030)</b>	\$1.8 trillion	\$2.8 trillion

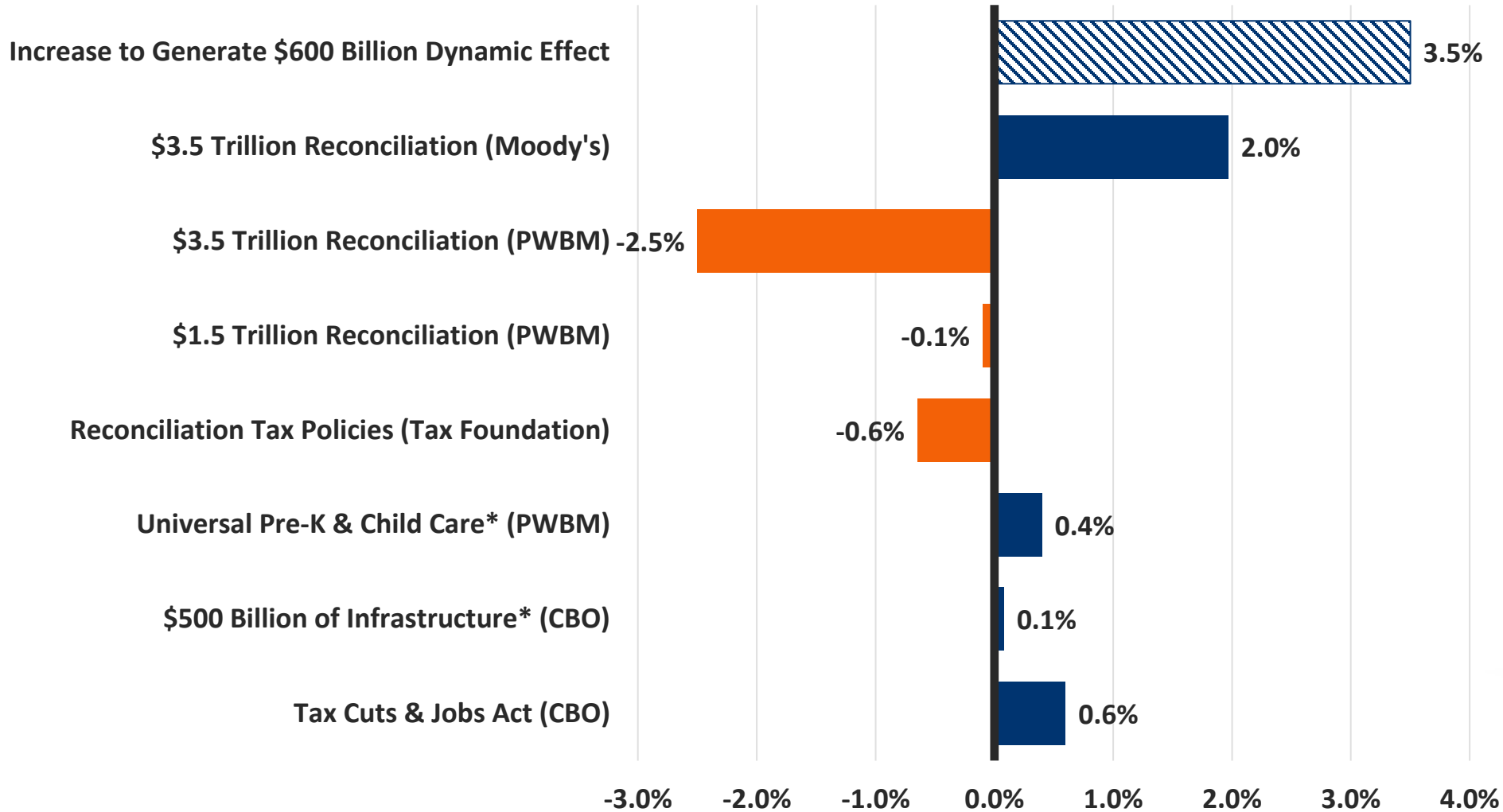
\* In our \$1.5 trillion bill, we only extend the CTC expansion until other parts of the TCJA expire in 2025.  
Policymakers must fully commit to offset any further extension

Source: Committee for a Responsible Federal Budget



# We Don't Rely on Rosy Dynamic Scoring

2031 GDP Change from Different Policies



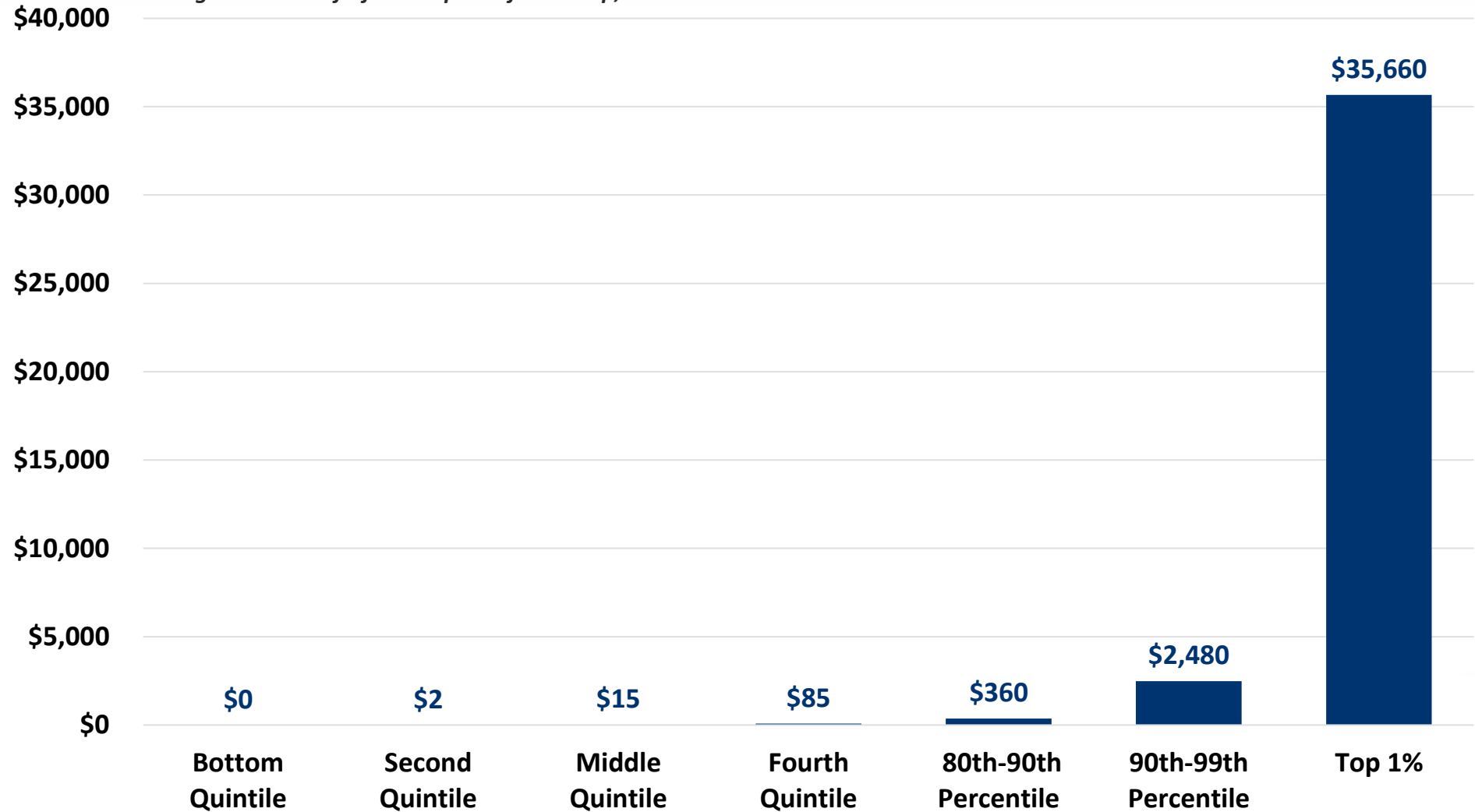
\* No Cost

Note: Numbers are rounded to one decimal place

Source: Congressional Budget Office, Moody's, Penn Wharton Budget Model, Tax Foundation, and Committee for a Responsible Federal Budget

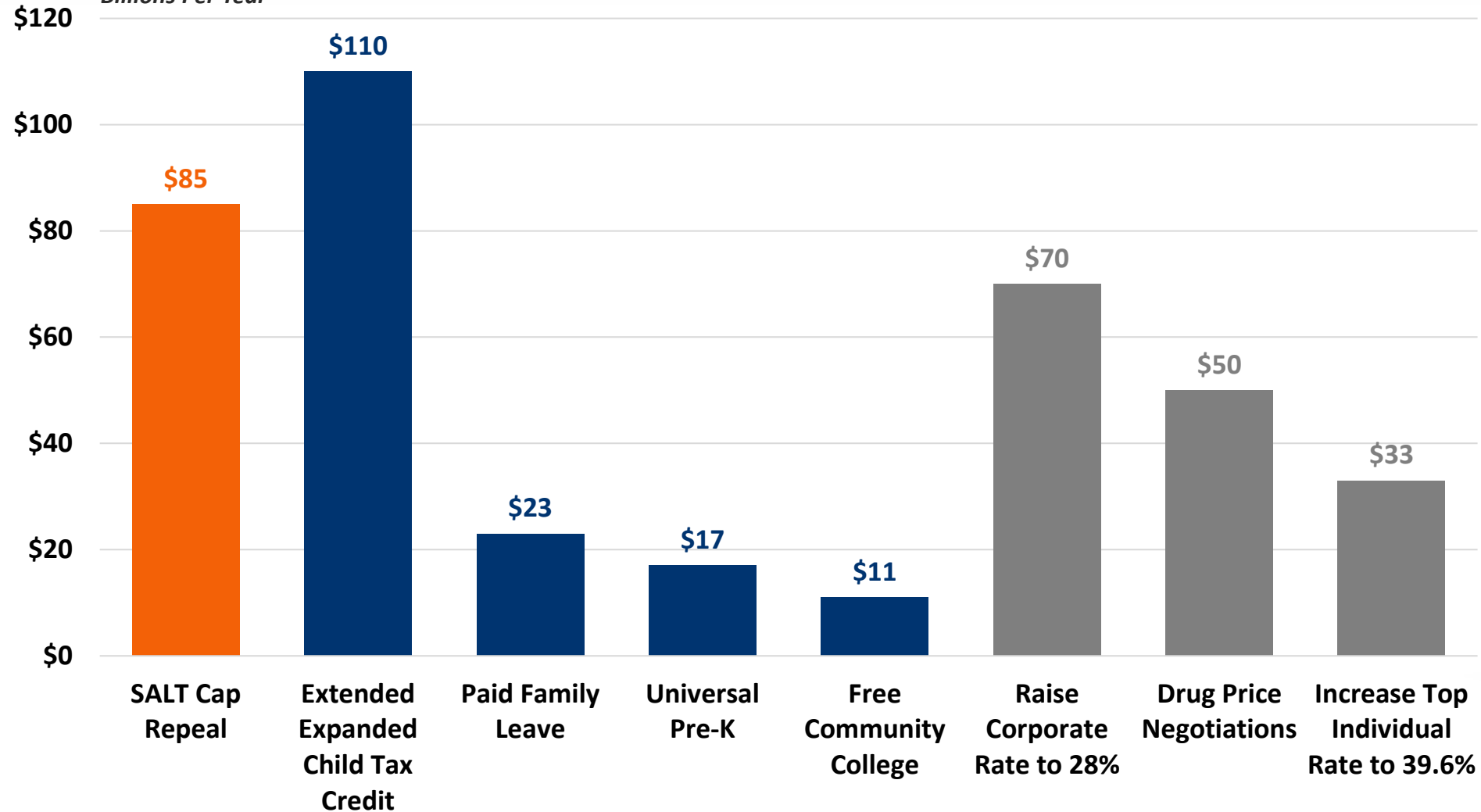
# We Don't Waste a Dime on SALT Cap Repeal

Average 2022 Benefit from Repeal of SALT Cap, dollars



# We Don't Waste a Dime on SALT Cap Repeal

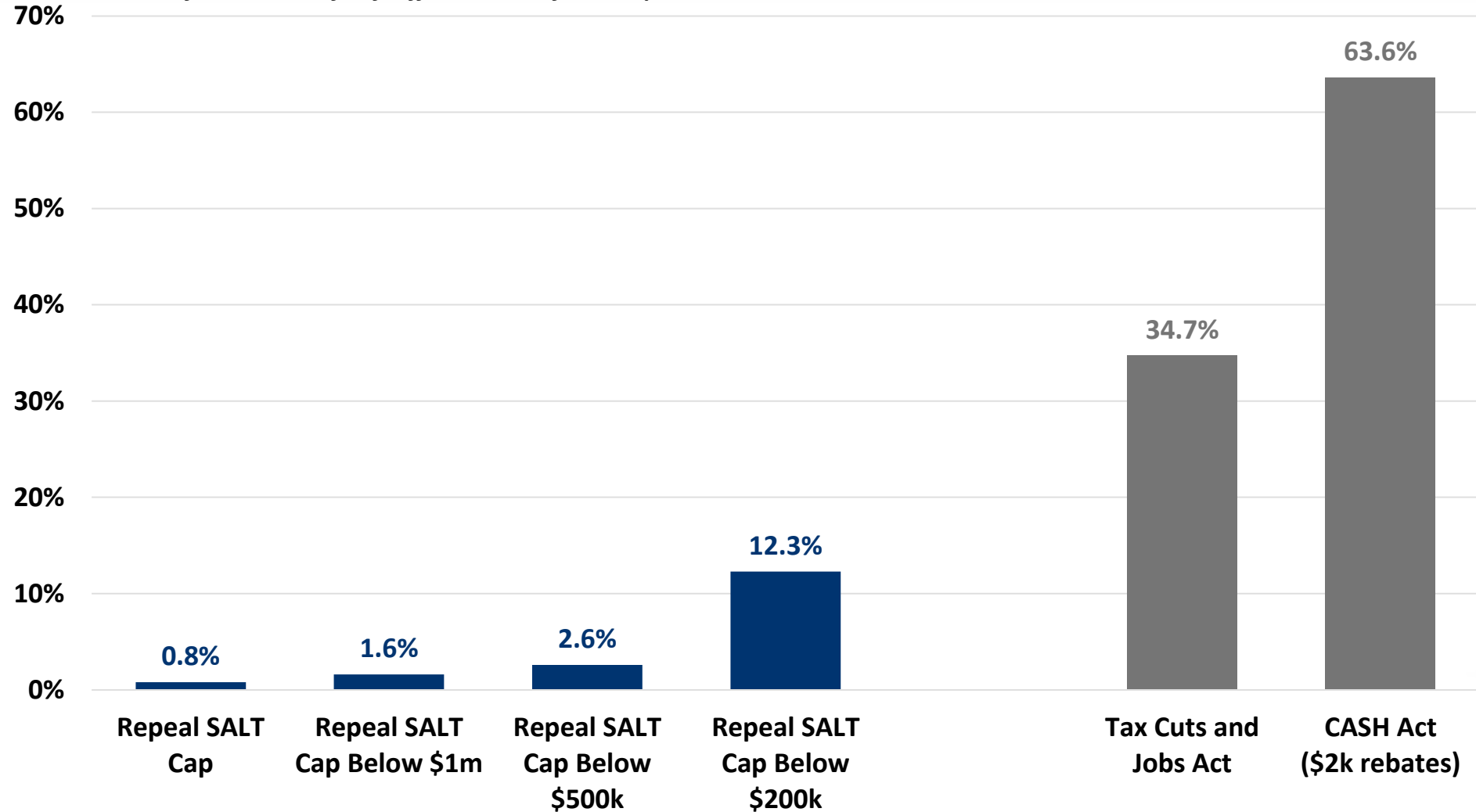
Billions Per Year



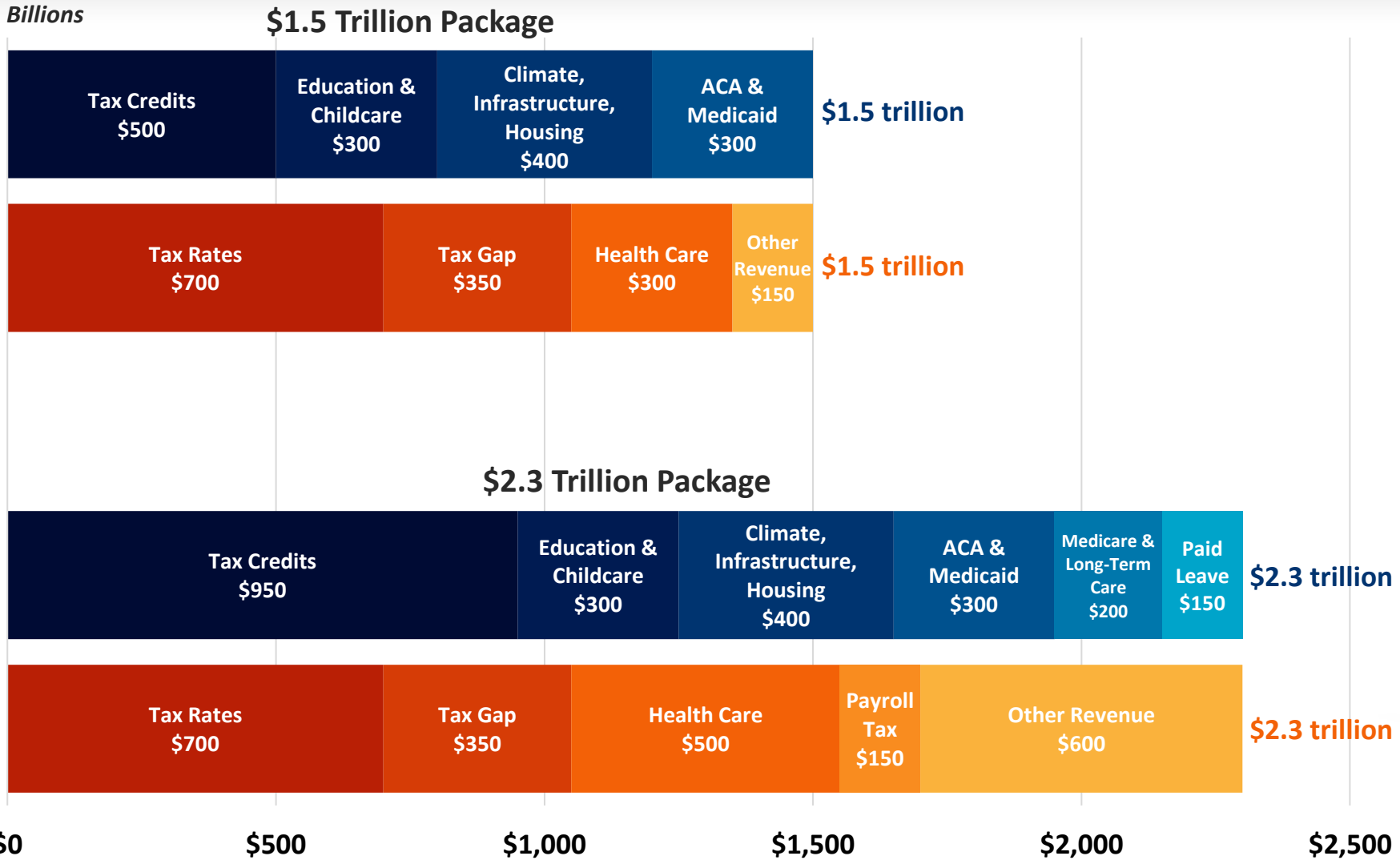
*Note: Annual costs of proposed policies use averages of the total cost over the time relevant time period*  
*Source: Tax Policy Center, Office of Management and Budget, Senate Finance Committee, Committee for a Responsible Federal Budget*

# We Don't Waste a Dime on SALT Cap Repeal

Percent of Overall Benefit of Different Tax Reform Proposals that Would Accrue to the Bottom Three Income Quintiles



# Two Plans to Build Back Better for Less



Source: Committee for a Responsible Federal Budget