To: Members of the House Committee on Ways and Means
From: Brandon Arnold, Executive Vice President; Andrew Lautz, Director of Federal Policy; Will Yepez, Policy and Government Affairs Associate; National Taxpayers Union
Date: September 8, 2021
Subject: Committee's Reconciliation Spending Needs to Be Significantly Reduced

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I. Introduction and Key Taxpayer Considerations

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to Committee Members and staff as you consider certain provisions in the Committee's reconciliation title focused on paid leave, retirement, child care, health care, and more. NTU is deeply troubled by several provisions in this proposal, including but not limited to the following concerns:

- The short implementation timeline of the national paid family and medical leave benefit (under two years), along with its near universal coverage and reliance on self-attestations, increase the likelihood of fraudulent claims and/or improper payments in the program. Additionally, we believe it makes little sense to subsidize paid family and medical leave for individuals making well into the six figures per year, and this current proposal allows partial benefits for individuals making up to $250,000 per year.
- The $15 billion in infrastructure grants for child care facilities includes Davis-Bacon (prevailing wage) requirements that may significantly raise costs for taxpayers subsidizing this program.
- The Committee has authorized "such sums as necessary" for its program that would raise the wage floor for child care providers, effectively putting no cap on taxpayer obligations under this new and untested program.
- The Committee reauthorizes and provides $21.4 billion in funding for Trade Adjustment Assistance (TAA), which is comprised of several groups of well-intentioned (but largely duplicative and unnecessary) programs for workers, firms, farmers, communities, and community colleges. As noted below, these programs often fail to achieve their objectives and should be scaled back or eliminated altogether.
- The Committee proposes a significant increase to Medicare Part B benefits, even as experts question the short- and long-term solvency of the Medicare program; further, the Committee leaves very little time for Medicare to implement vision and hearing coverage for beneficiaries, with turnaround times of around one year and around two years, respectively.

Absent ***significant*** changes to the Committee's reconciliation title, NTU would urge all Committee Members to **OPPOSE** the legislation.[1]

[1] As a reminder and to avoid any confusion, NTU does ***not*** include Committee markup votes in our annual rating of Congress. That said, we weigh in at the markup level to improve legislation from the perspective of the taxpayer before it reaches the House and/or Senate floor.

II. Amendments That Could Improve the Committee's Reconciliation Title

The following amendments would improve the Committee's reconciliation title from the taxpayers' perspective:

Subtitle A

- **Extend the implementation timeline for the national paid family and medical leave benefit**: As noted above, the less-than two-year implementation timeline for the national paid and family medical leave benefit leaves NTU deeply concerned about fraudulent and/or improper payments in the program. This is an incredibly complex proposal, which requires regular communication and coordination between workers, employers, and federal and state governments, so it is critical that federal agencies get this process right. We believe it would be more than appropriate to extend the implementation timeline at least two years, to July 1, 2025.
- **Adjust the benefit formula so that six-figure households benefit less**: There is little justification for providing taxpayer-subsidized paid family and medical leave to six-figure households, who are both much more likely to have access to paid leave for family reasons and much more likely to have the financial resources to weather an unpaid leave scenario than low-income workers. Lawmakers could, for example, strike the provision allowing for workers earning between $1,923 and $4,808 per week (or between $99,996 and $250,016 per year) to collect five percent of average weekly earnings in a taxpayer-subsidized paid family and medical leave benefit.

Subtitle C

- **Repeal prevailing wage requirements from the child care infrastructure grant program**: Prevailing wage requirements raise the cost of infrastructure projects for taxpayers. This means that either taxpayers get less infrastructure for the Committee's existing $15 billion commitment of taxpayer dollars, or they are on the hook for future appropriations from lawmakers when prevailing wage requirements lead to less project completion than lawmakers are currently hoping for or expecting. Either way, taxpayers lose. Lawmakers should strike the Davis-Bacon (prevailing wage) requirements from Subtitle C.
- **Consider an authorization cap on the wage floor program**: As noted above, it is troubling that lawmakers authorize "such sums as necessary" to subsidize wages for child care providers under Subtitle C. Taxpayers should have an expectation of their commitments under this new program, and so the Committee should authorize a specific level of appropriations rather than writing the Congressional equivalent of a blank check. Once lawmakers propose a specific level of authorization, stakeholders can then evaluate whether taxpayers can bear such a commitment in an already high-spending, high-debt, and high-deficit environment.

Subtitle D

- **Strike Part 1:** The legislation would extend Trade Adjustment Assistance (TAA) for Workers for seven years at an annual appropriation of $1 billion. A nine-year study published in 2013 by Mathematica found that after several years of enrollment in TAA programs, participants earned approximately $3,300 ***less*** than a similar group of displaced workers who did not participate in the TAA program. Existing programs, such as unemployment insurance systems, already provide a safety net for displaced workers. Workers can lose their jobs for any number of reasons. It makes little sense to provide benefits such as income replacement and job retraining only to certain categories of displaced workers. This is especially true because, while trade is often blamed for employment disruptions, technological improvements and productivity growth are the primary cause, and are responsible for 88 percent of manufacturing job losses (according to a 2017 study from Ball State University).
- **Strike Part 3, Subchapter B:** Under these provisions, TAA for Community Colleges would be extended for seven years at $1.3 billion per year. These programs are duplicative and of questionable efficacy. A 2018 audit of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program cast serious doubts about its effectiveness, noting that "less than half of the students that were unemployed when they entered training found a job" and that grant recipients failed to achieve program completion targets, with only 37 percent of student completing all rounds of training. This funding is particularly questionable in light of the Education and Labor Committee's portion of the reconciliation package which allocates $111 billion to make higher education more affordable, including the provision of two years of free community college tuition.

Subtitle E, Part 4

- **Strike Subtitle E, Part 4**: As noted above, the Medicare trustees still project that the Hospital Insurance (HI) Trust Fund will be insolvent in 2026. While the benefits funded by the HI Trust Fund, under Medicare Part A, are separate from the benefits funded under Medicare Part B (including Part B's expansion to vision, hearing, and dental benefits under Subtitle E, Part 4), it is irresponsible for lawmakers to consider significantly expanding benefits while the future of Medicare is in significant doubt. Any spending reductions or revenue raisers generated in the reconciliation process would be better put shoring up the HI Trust Fund's finances in the long run.
- **Absent fully striking Subtitle E, Part 4, extend the implementation timeline for vision and hearing benefits in Medicare Part B**: Give the Department of Health and Human Services (HHS) and the Centers for Medicare and Medicaid Services (CMS) more time to implement vision and hearing benefits under Medicare Part B; at minimum, lawmakers should provide HHS and CMS with an additional two years for each benefit. According to recent reporting from *The Washington Post*, "federal health officials estimate it could take three to five years to formally stand up a new dental benefit which Democrats are seeking to include in the $3.5 trillion bill."

III. NTU's Current Thinking on the Combined Reconciliation Package

As the authorizing committees in Congress work on separate reconciliation bills, NTU wishes to inform Members and their staff that we have several significant concerns with the current framework of the overall, combined reconciliation effort. This proposed legislation would spend a staggering $3.5 trillion—possibly adding trillions to the national debt and impacting America's economic recovery effort from the COVID-19 pandemic. If the combined reconciliation bill came to the House or Senate floor today, we would advise Members to vote "NO" on the legislation. The bill would be heavily weighted in NTU's annual rating of Congress.

IV. Contact Information

Should you have any questions about the recommendations in this memo, please do not hesitate to reach out to Brandon Arnold at barnold@ntu.org, Andrew Lautz at alautz@ntu.org, and Will Yepez at wyepez@ntu.org.