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C O L L E C T I V E

To: Interested Parties

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Re: Washington Post Op-Ed: Here's how Democrats can fix the Build Back Better mess — and appease Manchin

Dt: December 22, 2021

I wanted to make sure you saw my op-ed published in the *Washington Post* this morning. In the piece, I outline where Democrats can go now that Senator Joe Manchin has effectively killed President Biden's Build Back Better Bill.

Below is a summary of the key points:

Clearly, mistakes were made with the Build Back Better bill. But who was at fault?

- On one hand, President Biden, who had a limited supply of policy sweeteners to offer Sen. Joseph Manchin III (D-W.Va.), gave them all away up front.
- On the other hand, Manchin appears to have overreacted to a perceived slight and put federal policy and the fates of millions at risk because his ego got bruised.

Where do Democrats go from here?

- A productive path forward will involve making some tough choices, restoring a modicum of trust, and engaging in the hard work of persuasion.
- But the outcome could be a big win for Biden — and Manchin.
- Substantively, it might also be our best shot at saving the planet, moving America toward its peers in child care and education and keeping children from going hungry.
- Manchin finally put his demands on paper. However, a new obstacle is that those demands exclude making the expanded child tax credit permanent, the economic centerpiece of Biden's Build Back Better plan.

Here's the path that the White House and Manchin might follow.

- Democrats have a huge opening in Manchin's \$1.8 trillion proposal, which was reported by *The Washington Post*. The bill Manchin would approve includes nearly \$2 trillion worth of sound policy, including universal prekindergarten programs. Securing major federal action on climate always depended on the vote of Manchin, a coal state senator, and Manchin's offer reportedly includes funding levels close to what Biden was seeking, among other things. Democrats could put it on the floor, with the addition of a short-term (say, six-month) extension of the child tax credit. This would mean giving Manchin everything he told Biden he wants.

- Manchin's bottom line only looks bad through the lens of what it leaves out. On that front, Democrats could make an eminently reasonable ask: In return for giving Manchin everything he wants, and putting aside trillions' worth of their demands, all they will be asking for is a short-term extension of the child tax credit, which Manchin has voted for previously and which will prevent millions of children from sliding into poverty this holiday season. Some quick back-of-the-envelope calculations off the \$1.4 trillion cost of a full 10-year extension suggest that a six-month extension would cost just \$70 billion. That means that cost-wise, in a \$1.8 trillion bill, a short-term extension of the child tax credit is a rounding error.
- A short-term extension gives Manchin something else he claims to want: the chance to negotiate a bipartisan solution to extend the credit on a long-term basis.
- Of course, it would be irresponsible for Democrats to simply hope and pray that these negotiations succeed. Therefore, while Manchin is pursuing bipartisan negotiations, Democrats could introduce a new Families Bill, with a long-term extension of the child tax credit as the centerpiece.
- The Families Bill can move through the budget reconciliation process, since we already know the tax credit can comply with reconciliation's strict rules, and the Senate parliamentarian has ruled that additional reconciliation vehicles are available for Democrats to use next year.
- This approach would also set up something that typically forces Congress to act: a deadline. If the child tax credit is extended for six months, that will create a "CTC cliff" next summer, providing a backstop that will prevent negotiations from dragging on interminably, forcing action and driving media attention.
- Meanwhile, the Families Bill would be a boon for Democrats. Build Back Better is an agenda, not necessarily a bill. A major messaging challenge on the legislation itself has been its amorphous, sprawling nature. For example, the reason there is not more attention on the expiration of the child tax credit at the end of this year is that the news is too crowded with the many other issues in the current version of Biden's legislation.
- By contrast, a Families Bill might be much easier to sell to the public, especially in an election year. Having already banked other key elements of Build Back Better, Democrats could make the highly popular child tax credit the centerpiece of their 2022 campaign messaging and highlight Republicans' refusal to join them in saving kids from

poverty. Biden can make the child tax credit a major focus of his State of the Union and use the bully pulpit to demand that Congress refuse to go on summer recess unless it avoids going over the cliff.

The big question remains: How will Manchin vote?

- Predictions are a fool's game at this point. But the solution is likely a combination of old-fashioned engagement, elbow grease and persuasion. Opposing Biden's amorphous, multitrillion-dollar spending plan was always an automatic winner for Manchin in West Virginia, a state Trump won by 39 points. But the child tax credit, as a stand-alone, is different. Whatever Manchin's plans are, killing a tax credit that even Trump supported and sending millions of kids into poverty as a result is a bad look.
- Another benefit to Democrats is that Manchin has consistently supported policies to make big corporations and the wealthiest Americans pay their fair share in taxes; opposition from fellow Democratic Sen. Kyrsten Sinema (Ariz.), not Manchin, struck such policies from the Build Back Better legislation. To pay for the Families Bill, or Manchin's bill (or both), Democrats can bring these pay-fors back into play — and prevent themselves from getting outflanked on economic populism by Republicans. Sinema may remain a problem, but she has never been forced to publicly own her opposition to these very popular policies, which even Manchin supports.
- Taken together, this approach is not just a way to make the best of a tough situation, but a path to rounding out two years that will, if something like Manchin's proposal passes, have been very successful legislatively for Biden. Manchin's bill plus a stand-alone child tax credit extension would come to close to \$3 trillion, which is much more than is on the table at the moment. In the child tax credit, Democrats will be giving themselves a focused, popular, bread-and-butter issue to run on in 2022, and forcing Republicans to explain why they oppose a tax credit for families.

The options may look bleak right now. But by taking this approach, Democrats could make the fracas of the past week a distant memory.