



The American Families Plan (AFP)

On Wednesday, April 28, 2021, the White House released the proposed \$1.8 trillion dollar American Families Plan (AFP). Focusing on what the Biden Administration calls “human infrastructure”, the proposal would create approximately [\\$1 trillion in funding allocations](#), as well as \$800 million in tax credits for families, workers, and low- to middle-income earners. Major areas of focus include children and families, education, and workforce support. This increase in spending and loss of revenue due to tax credits would be offset via additional taxes on high-income earners and capital gains. It is unclear from the proposal how much states will be expected to contribute funding to these proposals (in particular, universal pre-Kindergarten and tuition-free community college), but the majority of the proposal is paid for via federal funding.

Children and Families

The proposal focuses primarily on children and families, with the majority of funding set aside for that purpose. This funding would help pay for childcare based on family income, capping childcare spending for low- and middle-income earners at 7% of their yearly income (for families with children under 5). The proposal also includes investments in childcare workers, e.g. subsidizing a \$15 minimum wage for early childhood staff.

Child Tax Credit

Under the American Rescue Plan, most families would receive \$3,000 a year for each child ages 6 to 17, and \$3,600 for each child under 6. The AFP would [extend that tax credit until 2025](#) and continue to allow parents to receive the credit in monthly installments (rather than just as part of a larger tax refund).

Expanded and Extended Childcare Tax Credit

The [bill makes permanent the expansion](#) in childcare tax credits from the American Rescue Plan Act of 2021. Families will receive a tax credit up to half of their spending on childcare for children under age 13. The credit is capped at \$4,000 for one child and \$8,000 for two or more children.

Child Nutrition and Meal Support

The AFP sets aside [\\$25 billion](#) toward the summer Pandemic Electronic Benefit Transfer (EBT) program that provides summer meals to children who receive free and reduced-price lunch during the school year. The AFP would make this program permanent, meaning that over 29 million children would receive meals every summer.

Paid Family and Medical Leave

The [AFP sets aside directly \\$225 billion over a decade](#) for paid family and medical leave. It would provide workers up to \$4,000 a month, replacing a minimum of two-thirds of average weekly wages, increasing to 80 percent of wages replaced for the lowest-wage workers. Within 10 years, workers would receive 12 weeks of paid parental, family, and personal medical leave. It also funds three days of paid bereavement leave per year.

Education

The AFP includes [over \\$400 billion](#) in funding for education. The proposal would fund up to four years of additional public schooling. That includes \$200 billion to fund two years of universal pre-Kindergarten and \$109 billion to fund two years of community college. In addition, the bill includes money to support students at Historically Black Colleges and Universities (HBCUs) and other minority serving institutions, money to train and recruit diverse teachers, and money to increase Pell Grants.

Universal Pre-Kindergarten

The AFP includes [\\$200 billion](#) to fund universal pre-school for all three- and four-year old children. The plan is focused on high-need areas and allows flexibility for families to choose what programs work best for them. Recognizing the increased need for early childhood educators this program would create, the plan invests in community college and teacher scholarships to create new educators or re-train educators for early childhood work. The program includes on-the-job coaching, professional development, and a \$15 per hour minimum wage for all employees in participating pre-Kindergarten programs and Head Start.

Community College

The AFP would [allot \\$109 billion](#) to cover two years of free community college for all. The details on how this program would be implemented remain unclear, however, it appears that states and territories [may have some matching requirements](#) to receive funding, and participation in the program is voluntary for states. [The administration estimates](#) that if all states, tribes, and territories participate, about 5.5 million students would be eligible.

Education Workforce Support

The plan [includes \\$1.6 billion in support](#) for special-education teachers and teachers seeking bilingual education certifications. The proposal also calls for [\\$9 billion in funding](#) to train and recruit diverse teachers.

Minority Serving Institutions

The AFP includes [funding to subsidize tuition for students](#) who are enrolled in Historically Black Colleges and Universities (HBCUs), tribal colleges and universities, and other minority-serving institutions, provided their family earns less than \$125,000 per year.

Pell Grants

The proposal includes [\\$85 billion in additional funds for Pell Grants](#), and would increase the maximum Pell Grant award by roughly \$1,400 (20%).

Workers

Earned Income Tax Credit (EITC)

The American Rescue Plan signed in March 2021 [roughly tripled the EITC](#) for childless workers. The AFP would make that change permanent.

Unemployment

According to the White House, the plan would [automatically adjust the length and amount of unemployment insurance benefits](#) workers can receive. Given how important [taxes on unemployment benefits](#) have been to keeping state revenues from dramatically declining during the pandemic, state leaders should pay close attention to any Unemployment Insurance changes proposed.

ACA Exchange Subsidies

The American Rescue Plan [provides two](#) years of lower health insurance premiums for those who buy coverage on their own (rather than through their job). The “families plan” would invest \$200 billion to make those premium reductions permanent.

Revenue Provisions

The AFP [contains multiple revenue provisions](#), estimated to raise \$1.5 trillion over 10 years. White House officials insist tax changes will not affect anyone earning under \$400,000 per year. Provisions would:

- Raise the top marginal income tax rate from 37 to 39.6%.
- Change the rules so households earning over \$1 million per year would pay the same 39.6% rate on all income (rather than only on income above \$400,000).
- Tax inter-generational wealth transfers.
- Send additional funds to the Internal Revenue Service to support tax enforcement.