

THE MANUFACTURER'S PREVIEW OF THE AMERICAN JOBS PLAN

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The American Rescue Plan signed into law on March 11, 2021, was intended to “rescue” states, small business and certain industries from economic harm related to the COVID-19 national emergency. President Biden is now focusing on his American Jobs Plan, which is colloquially referred to as the infrastructure plan. This common description may be misleading. The American Jobs Plan is not limited to upgrading and repairing the physical infrastructure such as bridges and roads, which is characterized as “traditional infrastructure.” A majority of the spending in President Biden’s plan is intended to upgrade something referred to as “human infrastructure.” Congress is now debating the definition of a fairly common word. For the manufacturing industry, the resolution of this debate is essential. If the definition of infrastructure is expanded, the manufacturing industry can expect a massive inflow of capital.

Before addressing the specifics of the plan and the debate, it must be not-

ed this article is being submitted for publication while negotiations are ongoing. Traditionally, an article such as this would be submitted for publication after the debate is resolved and the bill has been signed into law. However, this traditional approach does not allow interested parties to effectuate change, if desired. The debate over a definition has practical consequences to the manufacturing industry.

As of the date of submission, a deal has been reached on the traditional infrastructure portion of the plan. It appears 1.2 trillion will be spent on physical infrastructure projects such as bridges and roads, but the details have not been publicly revealed. President Biden is suggesting he will attempt to get human infrastructure spending through Congress via reconciliation. The rest of this article will focus on the details of the original \$2.2 trillion plan to help define the parameters of and the significance of the debate over the definition of infrastructure.

Summary of the Original Jobs Plan

The American Jobs Plan can generally be divided into transportation, manufacturing, long-term health, utilities (primarily energy), education and federal building spending. In the original plan, \$621 billion was earmarked for transportation-related spending, such as projects to upgrade roads and bridges. The plan also sought to invest \$590 billion on domestic manufacturing, research and development and jobs training initiatives. The details of the manufacturing spending will be set out in more detail below. An additional \$400 billion was directed to the long-term and home-healthcare industry to increase access to this care. To modernize school buildings, increase child-care facilities, and upgrade federal buildings, the plan sought \$328 billion in spending. Finally, \$311 billion was directed to improving broadband access, the electric grid and clean water projects.

Breakdown of the \$590 Million for Manufacturing

According to the fact sheet on [whitehouse.gov](https://www.whitehouse.gov), the goal of the manufacturing spending is:

“Mak[ing] smart investments in research and development, manufacturing and regional economic development, and in workforce development to give our workers and companies the tools and training they need to compete on the global stage.”

With that goal in mind, the following is a detailed breakdown of the proposed manufacturing spending in the original American Jobs Plan. \$52 billion was directed to a) general funding for manufacturing, b) investing in capital access programs, c) modernizing supply chains and d) the creation of new financing programs to support debt and equity investments. According to published reports, some of this money was direct pay to domestic manufacturers, and some of it was indirect, such as tax credits.

There was \$150 billion, divided equally, to increase funding to the National Science Foundation, to create a new office in the Department of Commerce, and to increase the manufacture of and research into semiconductors. The new office in the Department of Commerce would be dedicated to monitoring industrial capacity and funding investment for the production of critical goods.

There was a large focus on training for technology and new job skills for the manufacturing work in the original plan. \$48 billion was dedicated to support workforce development infrastructure and worker safety. \$40 billion was allocated to the establishment of workforce displacement programs and investment in sector-based training. An additional \$30 billion was intended to spur innovation and job creation through research and development. Finally, another \$12 billion was allocated to workforce development in underserved communities, with a separate \$5 billion for a rural partnership program.

Notwithstanding the \$50 billion to the National Science Foundation addressed above, an additional \$40 billion was allocated to upgrade research labs, \$30 billion to prevent future pandemics, \$15 billion to create innovations hubs at Historically Black Colleges and Universities (HBCUs) and Minority Serving Institutions (MSIs), \$14 billion for the National Institute of Standards and Technology, and \$10 billion to support general manufacturing research and development at HBCUs and MSIs.

Clean energy is not left out of the manufacturing spending. To incentivize more clean energy manufacturing, the plan would direct \$46 billion to federal procurement. Moreover, \$35 billion would be focused on climate change research and development. In other sections of the American Jobs Plan, \$400 billion in tax credits were established for clean energy. This included a 10-year extension to tax credits that generally support wind, solar and energy projects, among others. One such example is the \$174 billion for electric vehicle re-

bates, charging ports and electric school buses.

To complete the spending, \$31 billion will be allocated to community based small business incubators and innovation hubs, an additional \$20 billion for regional innovation hubs, and \$12 billion for enforcement of workplace protection and other general manufacturing-related items.

Potential Justifications for Manufacturing Spending

There is no debate whether the COVID-19 pandemic disrupted manufacturing. Social distancing requirements, quarantine requirements, and the incredible increase in mortality in the U.S. significantly limited production in many industries. Manufacturing output remained at the end of May at about 5 percent below its pre-pandemic level, according to the Federal Reserve. The Institute for Supply Management's index of national factory activity fell to 57.5 in December 2020, down from 59.3 in October 2020, which had been the highest since November 2018. A reading above 50 indicates expansion in manufacturing, which accounts for 11.3 percent of the U.S. economy. Thus, stimulating a burdened manufacturing industry is one possible justification for the original jobs plan. Of course, a rebuttal argument could be made that \$928 billion in spending on traditional infrastructure will indirectly be a stimulus to the manufacturing industry. Therefore, many supporters of the original American Jobs Plan argue the manufacturing industry has gone through and will continue to go through changes that affect the ability to manufacture in the United States. They argue the spending for job retraining, research and innovation is past due.

There is an argument that Illinois could significantly benefit from the original version of the American Jobs Plan. Clean energy will be a large part of the Illinois economy in the future. According to the report "Electrifying Illinois," published by Advanced Energy Economy, an industry association

that promotes advanced energy technologies and services, Illinois is on pace to reach 83 percent job growth in electric transportation-related work by 2024. Through data collection, the analysis found that Illinois has 560 electric transportation-related businesses in 97 of its 102 counties. The state already has a significant motor vehicle manufacturing presence, with 3,400 workers, or two-thirds of those employed in electric transportation, working in manufacturing. About 70,000 workers in the manufacturing industries that are currently not directly involved with the electric transportation businesses, but have characteristics similar to companies that are, would require "relatively little training" to transition to this type of work, the report found. Examples of these types of businesses include general automobile manufacturing, specialty transformer manufacturing, or machine shops, to name a few.

As a final note specific to Illinois, the spending on HBCUs and MSIs could benefit Illinois even though Illinois only has one HBCU (Chicago State University). Chicago State University houses several centers for research and scholarly exploration. They include the Center for Urban Mental Health Research, the Minority Biomedical Research Program, the Research Development Office, the Neighborhood Assistance Center, and the Calumet Environmental Resource Center, among others. CSU also operates Innovation Lab (www.csu.edu/innovationlab), which has as part of its stated mission to "[c]reate solutions that are socially acceptable and commercially viable, and as a result form organizations of an entrepreneurial nature that benefit the students and individuals involved while the society as a whole as well via economic providence and richer awareness." Illinois also has 14 MSIs, which is the largest number of MSIs in one state in the Midwest. ♦