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BALANCED BUDGET AMENDMENT WOULD REQUIRE MORE EXTREME CUTS THAN RYAN PLAN

Chief Sponsor Cites Republican Study Committee Budget, Which Would Cut \$9 Trillion Over Next Decade, as Model

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The constitutional balanced budget amendment that the House is expected to consider this week is a highly ideological measure that would force Congress to enact the Republican Study Committee's extreme budget plan or something similar to it. Even the House-passed budget plan of House Budget Committee Chairman Paul Ryan would not pass muster under the proposal; the more draconian Republican Study Committee (RSC) budget¹ or a close equivalent would be required.

Under the amendment, the first year in which the federal budget would have to be balanced would likely be fiscal year 2018.² The Congressional Budget Office estimates that the Ryan plan, even with its deep cuts, would not achieve balance until sometime in the 2030s.

When asked at a hearing in May what steps he would recommend beyond the House-passed budget to meet the amendment's time frame, the amendment's chief sponsor, Rep. Bob Goodlatte (R-VA), pointed to the RSC budget.³ The RSC says its plan would achieve balance in 2020.

The RSC budget secures *all* of its deficit reduction through spending cuts and *none* through revenues; it cuts federal expenditures by more than \$9 trillion over the coming decade, relative to a continuation of current policies. To ensure that policymakers follow this cuts-only approach, the version of the constitutional amendment coming to the House floor requires supermajority votes of two-thirds of both the House and Senate to raise any taxes, which would make it virtually impossible to raise revenue. (The supermajority requirement would apply even to raising revenues by closing

¹ Republican Study Committee materials on the proposal are available at <http://rsc.jordan.house.gov/Solutions/rscfy2012budget.htm>.

² The amendment specifies that the balanced budget requirement would take effect in the second fiscal year after its ratification or the first fiscal year starting after December 31, 2016 (i.e., fiscal year 2018), whichever occurs later. If Congress approved the amendment this year and three-quarters of the states ratified it, ratification would likely be completed before 2016. As a result, the amendment likely would take effect in 2018.

³ See transcript of the May 13 hearing on the Balanced Budget Amendment conducted by the Subcommittee on the Constitution of the House Judiciary Committee.

tax loopholes.) The amendment also would limit total federal spending in any year to 18 percent of the Gross Domestic Product, thereby locking in a requirement that all of the required deficit reduction come from budget cuts and none from an increase in revenues — and, in fact, opening the door to new tax cuts.

The 18 percent of GDP spending cap further demonstrates that the amendment is designed to pave the way for the Republican Study Committee budget. Federal spending under the Ryan plan would be close to 20 percent of GDP in 2018 through 2021. And the Congressional Budget Office estimates spending under the Ryan plan would be between 20 and 21 percent of GDP in the decade after that (for example, it would be 20¾ percent of GDP in 2030.)⁴ Under the constitutional amendment that the House will consider, this would be unconstitutional. In contrast, the Republican Study Committee claims that under its budget, federal spending would be slashed to 18 percent of GDP by 2017 and remain at that level — the requirement that the proposed constitutional amendment would impose.

Republican Study Committee Budget Would Slash Wide Range of Programs

Unveiled on April 7, the RSC budget is a remarkable document. It includes the following measures.

- It cuts total funding for non-defense discretionary programs by approximately *70 percent* in 2021, and by more than \$3 trillion over the next ten years, relative to the already reduced funding levels that Congress recently approved for fiscal year 2011 (adjusted for inflation).⁵

This is the part of the budget that includes veterans' medical care, most homeland security activities, border protection, and the FBI. It also includes education, environmental protection, protecting the nation's food and water supply, and medical research, as well as services for disadvantaged or abused children, frail elderly people, and people with severe disabilities.

- It contains *deeper* Medicare cuts than the Ryan budget. The RSC budget includes the Ryan proposals to convert Medicare to vouchers and raise its eligibility age from 65 to 67, but it raises the eligibility age sooner than the Ryan budget would.
- It raises the Social Security retirement age to 70.
- It also contains cuts of almost unimaginable depth in the core programs for the poorest and most disadvantaged Americans: in 2021, Medicaid, the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), and Supplemental Security Income would all be *cut in half*.

⁴ Spending under the Ryan budget would not fall to 18 percent of GDP or lower until after 2040.

⁵ The RSC budget says in one place that non-defense discretionary funding would be cut to \$218 billion in 2021. It indicates in other places, however, that this figure would be \$185 billion. Depending on which figure is correct, the funding level in 2021 would be either 67 percent or 72 percent below the 2011 level in real terms, and the cut over ten years would be either \$3 trillion or \$3.3 trillion.

The budget slashes Medicaid and the Children’s Health Insurance Program by \$1.5 trillion over the next ten years; Medicaid funding would be cut by 54 percent in 2021. (This is on top of the more than \$600 billion in Medicaid cuts it would impose by repealing the Affordable Care Act and its coverage expansions.) It cuts SNAP by a remarkable \$350 billion — or 50 percent — over ten years. And it cuts Supplemental Security Income, which provides poor people who are elderly or severely disabled with benefits that raise them to about 75 percent of the poverty line, by \$238 billion over ten years; SSI would be cut in half in 2021.

- It cuts at least \$86 billion over ten years from Pell Grants, which help low-income students afford college. Other cuts include \$84 billion in farm programs.