



U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

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## Balanced Budget Constitutional Amendment is Guise to Push the Republican Budget Agenda

### **Overview**

The balanced budget constitutional amendment (H. J. Res. 1) recently approved by the Judiciary Committee is a masquerade designed to foster the policy choices of the Republican budget: to end the Medicare guarantee for seniors and slash vital services while providing tax breaks for the wealthy. This balanced budget amendment would have dire consequences on the economy, on Medicare and other government guarantees to our citizens, and on Congress's ability to respond to changing needs.

The Republican constitutional amendment would both require a balanced budget after a specific time and also impose serious impediments to increasing revenues, making it that much harder to balance the budget. The proposal would require a supermajority in both houses of Congress to both approve spending greater than revenues as well as to raise revenues. However, a simple majority vote is all that would be needed to approve tax cuts – tax cuts that would necessitate deeper spending cuts to match lower revenues. This disparity in the approach to revenue raising and cutting highlights that this balanced budget amendment is not about balancing the budget, but rather about establishing a constitutionally mandated path to impose the Republican budget priorities.

The following analysis by the Budget Committee Democratic staff describes the impact of the bill as reported by the Judiciary Committee.

### ***H.J.Res. 1 – a constitutional balanced budget amendment***

**Summary:** H. J. Res. 1 would amend the Constitution to require Congress to balance the budget each year by limiting spending to no more than revenues and to no more than 18 percent of the country's economic output. It would also impose new procedural hurdles to raising the debt ceiling, and require the President to submit a balanced budget each year. It would take effect in fiscal year 2018 or the second fiscal year after its ratification, whichever is later.

**Section 1 - limit outlays to revenues:** The bill would amend the Constitution to prohibit outlays for a fiscal year from exceeding total receipts without a three-fifths supermajority vote in each chamber of Congress.

We all agree that our country cannot continue on an unsustainable fiscal path. However, achieving a balanced budget is not something that should automatically be required every year. In particular, during economic downturns, the government can stimulate growth by cutting taxes and increasing spending. And in fact, the cost of many government benefit programs is designed to automatically increase when the economy is down – for example, costs for food stamps (SNAP) and Medicaid increase when more people need to rely upon them. These countercyclical measures lessen the impact of job losses and economic hardship associated with economic downturns. The resulting temporary increases in spending could cause deficits that would trigger the balanced budget requirements at the worst possible moment. A constitutional amendment requiring Congress to cut spending to match revenue every year would both limit Congress’s ability to respond to changing fiscal conditions and would dramatically impede federal responses to high unemployment as well as federal guarantees for food and medical assistance.

**Section 2 – limit outlays to 18 percent of GDP:** The resolution limits total outlays for any fiscal year to no more than 18 percent of the U.S. economic output (the Gross Domestic Product, or GDP), unless three-fifths of each House of Congress votes for a specific increase.

Outlays have exceeded 18 percent of GDP every year since 1966. As with the outlay cap in Section 1, tying outlays to a percentage of GDP would impose arbitrary limits on government actions to respond to an economic slowdown or recession, when GDP declines. Cutting spending during a recession could make the recession worse by increasing the number of unemployed, decreasing business investment, and withholding services needed to jump-start the economy.

**Section 3 – impose barriers to increasing the debt ceiling:** The amendment would make it more difficult to pay the debts of the United States by requiring a three-fifths vote of each chamber to increase the public debt limit.

The need to raise the debt ceiling has no correlation to whether future budgets are balanced; increases in the debt ceiling reflect past decisions on fiscal policy. And as demonstrated by this year’s current disagreement about whether and when to raise the debt ceiling, Congress does not need to impose further barriers to its consideration. Treasury has warned that failing to raise the debt ceiling and the resulting government default, which would be unprecedented, could have catastrophic impacts on the economy. Interest rates would rise, increasing costs for the government and potentially on American businesses and families.

**Section 4 – require the President to submit balanced budget:** The bill directs the President to submit a balanced budget to Congress annually.

Only five years in the last fifty has the federal government posted an annual budget surplus; all other years the government has been in deficit. Even the House-passed Republican budget resolution, which requires immediate and sustained drastic spending cuts, never reaches balance in the ten-year window (indeed, it is not projected to be balanced for several decades, only reaching balance by 2040).

The President could face legal action for failing to subscribe to the current Republican thinking on economic policy if his budget included a deficit. That leaves the Chief Executive potentially unable to respond to a pressing need or economic condition. And because the proposal makes it so much harder for Congress to increase revenues than to cut spending, it in essence forces the President to match those same restrictions in his budget. In other words, it is designed to force the President to submit a budget that reflects the Republican priorities of ending the Medicare guarantee while cutting taxes for millionaires.

**Section 5 – impose barriers to increasing revenues:** The constitutional amendment would create a congressional procedural hurdle against consideration of any bill that would increase revenues by requiring approval of two-thirds of the House and Senate.

This provision builds a barrier against fixing inequities in our tax code by protecting more than \$1 trillion in spending through the tax code – spending that often benefits well-to-do Americans. Paradoxically, the amendment does not prohibit cutting taxes, even though a decrease in revenues is likely to force the budget out of balance, thus necessitating further spending cuts. In fact, recent history has shown that large tax cuts caused much of the current deficit crisis.

**Section 6 – allow waivers during war:** H. J. Res. 1 authorizes Congress to vote to waive these provisions when a declaration of war is in effect or under other specified circumstances involving military conflict.

**Sections 7 through 9 – set definitions and deadlines:** The amendment defines terms, directs Congress to enact laws to ensure compliance, and sets the effective date as the later of the second year after its ratification or the first fiscal year after December 31, 2016 (i.e., fiscal year 2018).

Not even the Republican budget resolution – which cuts trillions of dollars by ending the Medicare guarantee, dismantling Medicaid, and slashing vital services – would balance the budget by 2018. In fact, the Republican budget resolution never reaches balance. Requiring compliance potentially in fiscal year 2018 would require choices that would eliminate basic guarantees of health and retirement security.