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Current Proposals for a Balanced Budget Amendment Are More Extreme and Dangerous Than Earlier Versions

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The balanced budget amendment proposals in the 112th Congress are more radical than earlier proposals. They include caps on federal spending that would force drastic cuts in programs vital to women and families, but do nothing to restrain tax breaks for corporations and wealthy individuals. Moreover, some proposals would tilt the scales even more towards program cuts by requiring supermajorities in both the House and Senate to raise taxes in any way – making tax breaks for the rich and corporate special interests virtually untouchable.

What's different about the balanced budget amendment proposals in the 112th Congress?

- **New proposals would write a cap on federal spending into the Constitution, crippling the government's ability to meet its obligations and respond to recessions.** The McConnell amendment (S.J. Res. 23)[1] and the Goodlatte amendment (H.J. Res. 1, as approved by the House Committee on the Judiciary)[2] would limit annual spending to 18 percent of the *prior* year's gross domestic product (GDP) – equal to about 16.7 percent of the *current* year's GDP, as GDP typically grows each year.[3] Federal spending has not been that low since 1956, before Medicare or Medicaid even existed. The Shelby-Udall (CO) amendment (S.J. Res. 4)[4] would impose a slightly higher, but still unreasonable, cap of 20 percent of the prior year's GDP.

  By contrast, federal spending averaged 22 percent of GDP during Ronald Reagan's presidency – before the baby boomers had reached retirement age, swelling the population eligible for Social Security and Medicare, and when health care costs were much lower.[5] Capping future spending below Reagan-era levels would force sweeping cuts to Medicaid, Medicare, Social Security, child care, education, and many other critical programs. And a spending cap would limit the government's ability to spend even if spending and revenues were in balance.

  It would take a supermajority of all members in both houses[6] (two-thirds under McConnell and Goodlatte, three-fifths under Shelby-Udall) to approve spending above the cap in any fiscal year. This would prevent the government from responding quickly and effectively to new demands or economic downturns.

  In contrast, while the leading balanced budget amendment proposals in the 1990s generally required a three-fifths vote of all members to approve spending in excess of revenues, they did not impose a separate cap on spending.[7]

- **Some proposals would write a requirement of a supermajority vote to raise revenue into the Constitution.** Both the McConnell amendment and the Goodlatte amendment (as approved by the House Committee on the Judiciary)[8] would require a two-thirds vote in both houses to raise revenue.

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In contrast, while the leading balanced budget amendment proposals in the 1990s generally required that a majority of members in both houses approve any increase in taxes, they did not require a supermajority to raise revenue.

Why shouldn't the federal government have to balance its budget like states and families do?

- **Unlike states and families, the federal government would be prevented from borrowing for important investments and saving for the future.** Although states typically are required by their own constitutions to balance their operating budgets, they can borrow money for their capital budgets to fund projects like roads and schools. A state can also build up reserves in years when more revenue flows to its treasury and draw down those reserves in tougher economic times.[9] Likewise, a family can borrow money for important investments (e.g., a mortgage to purchase a home, a loan to pay for college), and can build savings to draw upon later.

  However, under the proposed balanced budget amendments, the total federal budget (including capital investments) would have to be balanced every year, with no borrowing even for investments that yield a future return. If the federal government ran a surplus one year, it would not be able to use those funds next year to help balance the budget.[10]

- **States and families rely on the federal government's ability to run deficits, especially during economic downturns or national emergencies.** When the economy is weak, needs increase while revenues drop, squeezing family and state budgets. The expansion of federal programs such as extended unemployment benefits, Medicaid, and SNAP (formerly Food Stamps) helps struggling families, relieves pressure on state budgets, and boosts demand, helping the economy recover. Similarly, the federal government's ability to respond quickly to natural disasters and national emergencies can alleviate suffering and prevent further harm.

The U.S. needs responsible, sustainable fiscal policies; deficits cannot grow faster than the economy indefinitely. But a constitutional amendment requiring a balanced budget, especially one with a spending cap or additional barriers to raising revenue, would do more harm than good.

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[1] S.J. Res. 23, 112th Cong. (2011) (introduced by Sen. McConnell (R-KY) June 29, 2011). Two proposed amendments introduced earlier in the 112th Congress are identical to S.J. Res. 23. *See* S.J. Res. 10, 112th Cong. (2011) (introduced by Sen. Hatch (R-UT) March 31, 2011); H.J. Res 56, 112th Cong. (2011) (introduced by Rep. Walsh (R-IL) April 7, 2011).

[2] H.J. Res. 1, 112th Cong. (2011) (introduced by Rep. Goodlatte (R-VA) Jan. 5, 2011; approved 20-12 along party lines by H. Comm. on the Judiciary June 15, 2011). As introduced, H.J. Res. 1 limited annual federal spending to 20 percent of the prior year's GDP. An amendment adopted June 2 by the House Committee on the Judiciary lowered the spending cap to 18 percent of the prior year's GDP.

[3] Robert Greenstein, Ctr. on Budget & Policy Priorities, Statement on Senate Republican Leaders' Proposed Balanced Budget Amendment 1 (2011), http://www.cbpp.org/files/3-31-11bud-stmt.pdf.

[4] S.J. Res. 4, 112th Cong. (2011) (introduced by Sen. Shelby (R-AL) Feb. 1, 2011).

[5] Paul N. Van de Water, Ctr. on Budget & Policy Priorities, Federal Spending Target of 21 Percent Not Appropriate Benchmark for Deficit-Reduction Efforts 2 (2010), http://www.cbpp.org/files/7-28-10bud.pdf.

[6] In contrast, a majority of members present and voting generally is sufficient to pass legislation in the House (and in the Senate, although 60 votes in the Senate are needed to overcome a filibuster).

[7] H.J. Res. 290, 102d Cong. (introduced by Rep. Stenholm (D-TX) June 26, 1991); H.J. Res. 1, 104th Cong. (1995) (introduced by Rep. Barton (R-TX) Jan. 4, 1995) (as amended); S.J. Res. 1, 105th Cong. (introduced by Sen. Hatch (R-UT) Jan. 21, 1997). In the 112th Congress, Rep. Goodlatte also introduced an amendment (H.J. Res. 2) with text nearly identical to H.J. Res. 1 as passed by the House in the 104th Congress.

[8] As introduced, H.J. Res. 1 required a three-fifths vote in both houses to raise revenue. An amendment adopted by the House Committee on the Judiciary on June 3 increased the supermajority required to raise revenue to two-thirds.

[9] Greenstein, *supra* note 2, at 2.

[10] *Id.*

Comparison of Balanced Budget Amendments in the 1990s and the 112th Congress

1990s proposals	S.J. Res. 4 (Shelby-Udall)	H.J. Res 1, as amended (Goodlatte)	S. J. Res. 23 (McConnell)
Balanced budget override			
Spending may not exceed revenues unless **three-fifths** of all members in both houses approve additional spending.	Spending may not exceed revenues unless **three-fifths** of all members in both houses approve additional spending.	Spending may not exceed revenues unless **three-fifths** of all members in both houses approve additional spending.	Spending may not exceed revenues unless **two-thirds** of all members in both houses approve additional spending.
Spending cap			
None.	**Spending for any fiscal year may not exceed 20 percent** of the prior calendar year's GDP without the approval of **three-fifths** of all members in both houses.	**Spending for any fiscal year may not exceed 18 percent** of the prior calendar year's GDP without the approval of **two-thirds** of all members in both houses.	**Spending for any fiscal year may not exceed 18 percent** of the prior calendar year's GDP without the approval of **two-thirds** of all members in both houses.
Revenues			
A **majority** of all members in both houses must approve any increase in taxes.	Not addressed.	**Two-thirds** of all members in both houses must approve any bill that imposes a new tax, increases tax rates, or increases total revenues.	**Two-thirds** of all members in both houses must approve any bill that imposes a new tax, increases tax rates, or increases total revenues.