

House Balanced Budget Amendment (H.J. Res. 2): Rewriting the Constitution to Raid the Social Security Trust Fund

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The balanced budget amendment (H.J. Res. 2) would amend the Constitution to require that federal spending in any fiscal year not exceed revenues collected in that fiscal year unless three-fifths of members in each chamber of Congress agree to additional spending.

The requirement of an annual balanced budget, regardless of the state of the economy, would force the federal government to take steps that would weaken the economy, turning downturns into recessions and making recessions worse.¹ The 18 percent spending cap would force even deeper cuts to Medicare, Medicaid, and many other critical programs than in the House-passed Ryan budget.² *In particular, H.J. Res. 2 could force cuts to the Social Security benefits Americans have earned, even when Social Security has ample reserves.*

Social Security is a self-financed social insurance program with a \$2.6 trillion Trust Fund.

Social Security is a social insurance program financed primarily by the payroll tax contributions of covered workers and their employers. The surplus contributions of workers and employers to Social Security are invested by the Social Security Trust Fund in interest-bearing U.S. Treasury bonds. These contributions built up a Trust Fund of \$2.6 trillion by the end of 2010, and the Trust Fund is expected to grow to \$3.7 trillion by the end of 2022. The Social Security Board of Trustees estimates that with its dedicated revenues and reserves, Social Security can pay 100 percent of promised benefits until 2036 and 77 percent of benefits after that.³

Because it is self-financing, current budget rules treat the Social Security program as “off-budget,” and Social Security has been exempted from past budget enforcement rules.⁴ But these statutory rules would be superseded by a constitutional amendment like H.J. Res. 2.

H.J. Res. 2 would treat Social Security revenues and benefits like other government revenues and spending.

H.J. Res. 2 requires that “total outlays for any fiscal year shall not exceed total receipts for that fiscal year.” It defines “total receipts” as “all [federal government] receipts...except those derived from borrowing,” and “total outlays” as “all [federal government] outlays...except those for repayment of debt principal.” Similar or identical language in earlier proposals consistently has been interpreted to encompass Social Security revenues and benefits,⁵ and the report from the House Committee on the Judiciary affirms that the Committee rejected minority amendments that would have “limit[ed] the application of balanced budget principles to Social Security, Medicare, or other government benefit programs.”⁶

H.J. Res. 2 is a giant raid on the Social Security Trust Fund.

Because H.J. Res. 2 requires all spending to be offset by tax revenues collected *in the same year*, if total government spending exceeded total revenue in any year, *Social Security benefit payments*

would be included among the outlays that could be subject to cuts to reduce the deficit – even if the balance in the Social Security Trust Fund considered separately were more than sufficient to pay current benefits (as it is expected to be until 2036).

In fact, the amendment would generally bar Social Security from drawing on its Trust Fund reserves to pay promised benefits unless the rest of the federal budget ran an offsetting surplus (or the House and Senate each garnered the supermajority necessary to permit deficit spending).⁷

H.J. Res. 2 would likely force major cuts to other vital programs.

The fiscal year 2012 budget introduced by House Budget Committee Chairman Paul Ryan (R-WI) and passed by the House made drastic cuts to Medicare, Medicaid, and many other programs – but still would not bring the budget into balance until the 2030s.⁸

Conclusion

At first blush, the balanced budget amendment sounds like a good idea to many who say, “states and families have to balance their budgets, why not Washington? However, even states with their own balanced budget amendments only have to balance their *operating* budgets. States can borrow money and build up reserves to fund investments like roads and schools – and so can families, who might take out a mortgage to purchase a home or a loan to pay for college.

Moreover, both states and families rely on the federal government’s ability to run a deficit during economic downturns and other emergencies. When the economy is weak, the expansion of federal programs like extended unemployment benefits, Medicaid, and SNAP (food stamps) helps struggling families and stabilizes the economy.

While polls show that a majority of the public supports the general idea of a balanced budget amendment, support quickly flips when the public understands the painful cuts that such an amendment would require.⁹ A balanced budget amendment is unfair, irresponsible—and a disaster for Social Security.

¹ See generally Robert Greenstein & Richard Kogan, CBPP, A Constitutional Balanced Budget Amendment Threatens Great Economic Damage (2011), <http://www.cbpp.org/files/6-6-11bud2-rev7-26-11.pdf>.

² *Id.* at 10.

³ 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Trust Funds, H.R. Doc. No. 112-23, at 2 (2011), <http://www.ssa.gov/OACT/TR/2011/tr2011.pdf>.

⁴ See generally Dawn Nuschler, Cong. Research Serv., Social Security’s Treatment Under the Federal Budget: A Summary (2002).

⁵ See, e.g., H.R. Rep. No. 104-3, at 1-2, 6 (1995); S. Rep. No. 105-3, at 14-16, 19 (1997). See also James V. Saturno & Megan Suzanne Lynch, Cong. Research Serv., A Balanced Budget Constitutional Amendment: Background and Congressional Options 32-33 (2011).

⁶ H.R. Rep. 112-117, at 13 (2011)(on H.J. Res. 1).

⁷ Saturno, *supra* note 5; Greenstein & Kogan, *supra* note 1, at 6.

⁸ Robert Greenstein et als., CBPP, Balanced Budget Amendment Would Require More Extreme Cuts Than Ryan Plan 1-2 (2011), <http://www.cbpp.org/files/6-6-11bud-rev7-26-11.pdf>.

⁹ See Hart/McInturff, Study #11139, NBC News & Wall Street Journal Survey, at 25 (March 31-April 4, 2011), <http://online.wsj.com/article/SB10001424052748704013604576247331658689202.html> (61 percent approval of a balanced budget amendment becomes 69 percent *opposed* “if that would require a twenty percent cut to spending on entitlement programs such as Medicare, Medicaid, and veterans benefits”).