

June 1, 2011

The Honorable Lamar Smith, Chair
The Honorable John C. Conyers, Jr., Ranking Member
U.S. House of Representatives
Committee on the Judiciary
2138 Rayburn House Office Building
Washington, D.C. 20515

Re: National Women's Law Center Opposes Balanced Budget Amendment (H.J. Res. 1)

Dear Chairman Smith and Representative Conyers:

The National Women's Law Center writes in strong opposition to H.J. Res. 1, the balanced budget constitutional amendment introduced by Rep. Goodlatte. H.J. Res. 1 threatens the wellbeing of women and their families to an even greater degree than earlier balanced budget amendment proposals. By writing an arbitrary and unrealistic cap on federal spending into the Constitution, H.J. Res. 1 would force drastic cuts in programs vital to women's health and security. At the same time, by requiring a supermajority vote to raise taxes in any way, the amendment would make tax breaks for the rich and corporate special interests virtually untouchable.

H.J. Res. 1 would limit annual federal spending to 20 percent of the prior year's gross domestic product (GDP), a limit even lower than 20 percent of the current year's GDP since GDP typically grows each year. 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. Capping future spending below Reagan-era levels would force devastating cuts to Medicaid, Medicare, Social Security, Head Start, child care, Pell grants, and many other critical programs. And a spending cap would limit the government's ability to address the needs of women and their families even if spending and revenues were in balance. The leading proposals in the 1990s did not include a spending cap.

Under H.J. Res. 1, a two-thirds vote of all members in both houses would be necessary to approve spending above the cap in any fiscal year. This would prevent the government from responding quickly and effectively to economic downturns. The only exception is for a waiver in a year when a resolution declaring an imminent threat to national security or formal declaration of war is in effect.

In addition, H.J. Res 1 would tilt the scales even more towards program cuts by requiring a three-fifths vote in both houses to raise revenue. Though the proposals in the 1990s typically required a majority of members in both houses to approve any increase in taxes, they did not require a supermajority to raise revenue.

While H.J. Res. 1 is more radical and dangerous than earlier balanced budget amendment proposals, any proposal that would write a balanced budget requirement into the Constitution would dangerously weaken the federal government's ability to respond to recessions, emergencies, and new challenges. Analogies to the budget balancing required of states and families are misplaced; unlike states and families, the federal government would be prevented from borrowing for

important investments and saving for the future. While a state typically must balance its operating budget, it can borrow money for its capital budget and build up reserves in years when more revenue flows to its treasury, drawing down those reserves in tougher economic times. Likewise, a family can borrow money for important investments and build savings to draw upon later. However, under H.J. Res. 1, 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.

Moreover, both 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 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, is harsh, unfair, and fiscally irresponsible.

We urge you to reject H.J. Res. 1.

Sincerely,



Nancy Duff Campbell
Co-President



Joan Entmacher
Vice President for Family Economic Security