

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HM 499 Federal Balanced Budget Amendment

**SPONSOR(S):** Ingram

**TIED BILLS:**           **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Federal Affairs Subcommittee	7 Y, 5 N	Bennett	Camechis

### SUMMARY ANALYSIS

This memorial urges the U.S. Congress to propose a constitutional amendment that requires the federal budget to be balanced each year. The memorial does not, however, specify the exact form the amendment should take or suggest specific provisions that should be included in the amendment.

The memorial will not have a fiscal impact on state or local governments.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

This memorial urges the U.S. Congress to propose a constitutional amendment that requires the federal budget to be balanced each year. The memorial does not, however, specify the exact form the amendment should take or suggest specific provisions that should be included in the amendment.

#### ***Background***

The U.S. Constitution does not require the annual federal budget to be balanced, and the constitutional provision governing federal spending broadly authorizes Congress “[t]o borrow Money on the credit of the United States.”<sup>1</sup> Thus, when the federal government spends more money than it collects in revenues, a budget deficit is created. To pay the expenses that exceed revenue collections, the federal government borrows money and creates federal debt.

Until the 1930s, most federal legislators acted as if there were a constitutional balanced budget requirement and “would have considered it to be immoral to spend more than they were willing to generate.”<sup>2</sup> After the Great Depression, however, this implied restraint began to fade, prompting the proposal of the first balanced budget amendment (BBA) in 1936.<sup>3</sup> In the 1980s, a “radical departure” from historical budgetary practices occurred “as budget deficits accumulated in a period of peace and sustained growth.”<sup>4</sup>

#### Federal Action

Congress experimented with formal balanced-budget requirements in response to the growing deficit of the 1980s. The most prominent effort was the Gramm-Rudman-Hollings Balanced Budget Act of 1985. The Act set a deficit reduction timeline and made it more difficult for Congress to increase spending deficits. The act ultimately failed in practice due to a lack of enforcement mechanisms.<sup>5</sup>

In 1992, a proposed constitutional amendment requiring Congress and the President to balance the federal budget each year fell short of passage by nine votes.<sup>6</sup> Similar BBAs were proposed in 1995 and 1997; both failed to pass the Senate by one vote.<sup>7</sup> The balanced budget issue then stalled as a result of the budget surpluses of the late 1990s. However, because of the recent economic downturn and increased deficit, the number of BAA proposals introduced in Congress has increased.

#### State Action

In 1983, thirty-two states had passed resolutions requesting a constitutional convention for proposing a balanced budget amendment; two short of the required thirty-four states.<sup>8</sup> However, after the enactment of the Gramm-Rudman-Hollings Balanced Budget Act of 1985, Florida and Alabama rescinded their applications for a constitutional convention.<sup>9</sup>

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<sup>1</sup> U.S. Const. art. I, § 8.

<sup>2</sup> James M. Buchanan, *Clarifying Confusion About the Balanced Budget Amendment*, 49 Nat'l Tax J. 347, 347-48 (1995).

<sup>3</sup> H.J. Res. 579, 74th Cong.; Introduced by Representative Harold Knutson.

<sup>4</sup> Alberto Alesina, *The Political Economy of the Budget Surplus in the United States*, 14 J. Econ. Persp. 3, at 6 (2000).

<sup>5</sup> James V. Saturnov, *A Balanced Budget Constitutional Amendment: Background and Congressional Options*, Congressional Research Services (2011).

<sup>6</sup> H.J. Res. 290; legislative history of all proposed balanced budget amendments can be found at : [http://thomas.loc.gov/cgi-bin/cpquery/?&sid=cp1058emTZ&r\\_n=sr003.105&dbname=cp105&&sel=TOC\\_7122&](http://thomas.loc.gov/cgi-bin/cpquery/?&sid=cp1058emTZ&r_n=sr003.105&dbname=cp105&&sel=TOC_7122&)

<sup>7</sup> *Id.*

<sup>8</sup> Saturnov, *supra* note 6, at 25.

<sup>9</sup> *See Id* (Since 1989, ten additional states have rescinded their constitutional convention applications Nevada (1989), Louisiana (1991), Colorado (1992), Oregon (1999), Idaho (2000), Utah, (2001)North Dakota (2001) Wyoming (2001), Arizona (2003) and Georgia (2004)).

## The Amendment Process

Article Five of the U.S. Constitution establishes the process to amend the Constitution. The amendment process consists of essentially two steps: 1. an amendment must be proposed and 2. the amendment must be ratified by 38 states.

An amendment may be proposed by two-thirds of both houses of the U.S. Congress or by a national convention. A national convention may be assembled if requested by at least 34 state legislatures. To become part of the Constitution, proposed amendments must be ratified either by approval of at least 38 state legislatures or state ratifying conventions. Congress decides which method of ratification must be used. Any amendment ratified by 38 states becomes a valid part of the constitution.

In order for the Florida Legislature to ratify an amendment, a majority of the members present and voting in each house must vote in favor of a concurrent resolution approving the amendment.<sup>10</sup>

### ***Present Situation***

On August 24, 2011, the Congressional Budget Office (CBO) issued a report on the status of the federal deficit, stating that:

The United States is facing profound budgetary and economic challenges. At 8.5 percent of gross domestic product (GDP), the \$1.3 trillion budget deficit that the Congressional Budget Office (CBO) projects for 2011 will be the third-largest shortfall in the past 65 years (exceeded only by the deficits of the preceding two years). This year's deficit stems in part from the long shadow cast on the U.S. economy by the financial crisis and the recent recession. . . .<sup>11</sup>

The recent accumulation of large deficits has resulted in an increase in proposed state and federal legislation to curb such increases.

In 2011, the Florida Senate passed a concurrent resolution urging Congress to call a convention for the purpose of proposing amendments to the U.S. Constitution to achieve and maintain a balanced federal budget. The resolution died in House messages.<sup>12</sup> In 2011, South Dakota, Texas, and Utah passed resolutions urging Congress to pass a BBA.<sup>13</sup>

In Congress, more BBA proposals have been introduced during the first six months of the 112th Congress than in any Congress since the 105<sup>th</sup> in 1997-1998.<sup>14</sup> As of November 7, 2011, at least thirteen resolutions proposing a BBA are pending in the House of Representatives, while five are pending in the Senate.<sup>15</sup> The proposed BBAs differ significantly on threshold issues such as how each amendments' provisions apply during times of "military conflict," the number of votes required to suspend the mandate, and whether the budget must be balanced during each fiscal year.

B. SECTION DIRECTORY: None.

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<sup>10</sup> House Rules 5.10 (a), 10.8, and 13.6.

<sup>11</sup> See full report at: [http://cbo.gov/ftpdocs/123xx/doc12316/Update\\_SummaryforWeb.pdf](http://cbo.gov/ftpdocs/123xx/doc12316/Update_SummaryforWeb.pdf)

<sup>12</sup> CS/S.C.R. 4 (2011).

<sup>13</sup> South Dakota: S.C.R. 9; Texas: H.C.R. 18; Utah: H.C.R. 3.

<sup>14</sup> H.J. Res. 290; legislative history of all proposed balanced budget amendments can be found at: [http://thomas.loc.gov/cgi-bin/cpquery/?&sid=cp1058emTZ&r\\_n=sr003.105&dbname=cp105&&sel=TOC\\_7122&](http://thomas.loc.gov/cgi-bin/cpquery/?&sid=cp1058emTZ&r_n=sr003.105&dbname=cp105&&sel=TOC_7122&)

<sup>15</sup> House Joint Resolutions 1, 2, 4, 5, 10, 11, 14, 18, 23, 41, 52, 54, and 56; Senate Joint Resolutions 3, 5, 10, 23, and 24.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: None.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.
2. Expenditures: None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None.

### D. FISCAL COMMENTS: None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: Not applicable.
2. Other: None.

### B. RULE-MAKING AUTHORITY: Not applicable.

### C. DRAFTING ISSUES OR OTHER COMMENTS: None.

## IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.