

The Balanced Budget Amendment: A Harmful and Unnecessary Proposal

Requiring a federal balanced budget through a Balanced Budget Amendment (BBA) is a bad idea that continues to resurface year after year. The BBA would result in cuts to valued programs like Social Security and Medicaid, limit the federal government’s ability to respond to crises—economic and otherwise—and cause significant reductions in federal funding for such priorities as roads and highways, the Great Lakes, and K-12 education. Such an amendment would primarily impact the most vulnerable Americans, pairing increasingly difficult economic conditions with rapidly decreasing assistance from their government. In addition, the process of adopting the BBA is filled with unknowns and the potential for unpredictable alterations to the U.S. Constitution. A Balanced Budget Amendment is a bad idea for our nation and has no place in Michigan.

What is the Balanced Budget Amendment? The Balanced Budget Amendment would constitutionally prohibit federal expenditures from exceeding total revenue for any fiscal year, resulting in a balanced budget at the end of each year. Most versions of the amendment include a debt cap, spending cuts and exceptions for emergencies like natural disasters or security threats. Notably, Michigan is one of the majority of states requiring that their state budgets be balanced.

HJR V: This joint resolution in the Michigan legislature is the latest in a series of attempts to begin the process of adopting the BBA. It calls on Congress to convene an Article V Convention with the broad goals of imposing fiscal restraints on the federal government, limiting the power and jurisdiction of the federal government and imposing term limits on federal officials and members of Congress.

- **What is an Article V Convention?** An Article V Convention is one of two ways in which the U.S.

Constitution can be amended. It requires that two-thirds (34) of the states call on Congress to convene the convention, at which an amendment may be proposed. Amendments must then be ratified by three-fourths (38) of the states in order to become part of the Constitution.

- **A New Name for an Old Idea:** Michigan has been here before. Not only has the idea of an Article V Convention on this topic been debated for many years, but previous resolutions passed by the Legislature make the adoption of House Joint Resolution (HJR) V a redundant and unnecessary step.

A New Name for An Old Idea

2014

Senate Joint Resolution (SJR) V passed both Michigan’s House and Senate, calling for an Article V Convention for the explicit purpose of adopting the BBA.

2015

Senate Bill 306 passed the Senate but stalled in the House. This bill would have added Michigan to a group of states pursuing the Compact for a Balanced Budget—an attempt to streamline the Article V process and quickly adopt the BBA.

2017

HJR V was introduced in the House. Similar proposals have already passed in 12 states. Meanwhile, parallel proposals have passed one legislative chamber in 10 states and currently exist as active legislation in 17 other states.

Why the Balanced Budget Amendment Is a Threat to Michigan

- **A Danger to Michigan’s Schools, Roads and Parks:** The rigid balancing of costs and revenues under the BBA would undoubtedly result in a tilt toward cutting federal funding for state priorities and programs. Some versions of the BBA even specifically incentivize spending cuts by making it more difficult for lawmakers to raise or levy new taxes. As a result, the federal funding Michigan relies on for such vital priorities as K-12 education, environmental protection of our Great Lakes and wildlife and our residents’ health could face dramatic cuts due to the BBA. Michigan’s already underfunded schools and crumbling infrastructure could only be further harmed by such drastic measures. In Michigan, aid to families with low incomes, seniors, and persons with disabilities faces the gravest threat.

BBA, Social Security would be cut by about \$325 billion in 2025 and by \$2.6 trillion through 2028.¹

- ◇ **Michigan Families Depend on These Programs in Times of Crisis:** During the Great Recession, Michiganders increasingly relied on programs like Unemployment Insurance and SNAP to help provide for their families. With the BBA in place, those families would have suffered even further and would be left without assistance in future crises.

— Unemployment Insurance in Michigan²

1st Quarter FY 2008 - Initial Claims: 239,459
Benefits Paid: \$633, 436

1st Quarter FY 2009 - Initial Claims: 457, 102
Benefits Paid: \$1,144,370

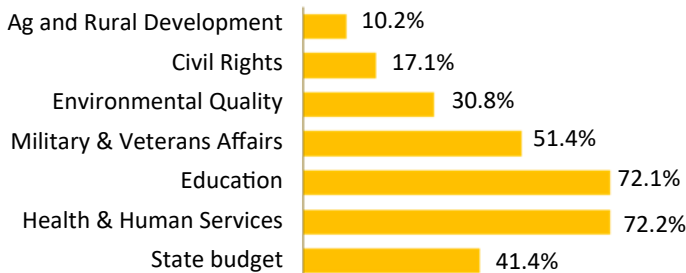
— SNAP in Michigan³

FY 2008 - Monthly Participants: 1,256,373
Issuance: \$1,506,032,208

FY 2009 - Monthly Participants: 1,450,272
Issuance: \$2,106,871,076

- **The Unknowns:** Due to the variation between proposed versions of the BBA, there are many undetermined factors of the amendment that could cause even further harm. For example, there is no guarantee that adequate exceptions for natural disasters, national security threats and other emergencies would be included. It is also possible that the BBA would include such provisions as a limit on total expenditures, forcing even more drastic and immediate cuts to total federal spending.
- **Endangering our Constitution:** Convention of States’ proposal employs language making an Article V Convention convened at its request especially threatening to the U.S. Constitution. Their deliberately non-specific goals for the convention—notably encompassing any proposal that limits the power and jurisdiction of the federal government—allow for unexpected and potentially devastating changes. As a result, the passage of HJR V would open the door not only for the BBA to wreak havoc on Michigan’s economy and the programs we depend on but also for undemocratic forces to make significant alterations to our nation’s founding document.

Federal Funds As a Percent of Michigan Budget



Source: House Fiscal Agency

- **Exacerbating Economic Struggles:** The BBA would also limit the government’s ability to respond to economic downturns by prohibiting increased spending in times of crisis. Not only would this prevent the government from employing the fiscal policies successfully used to lessen the effects of and ultimately end economic downturns in the past, but it would also prevent families from receiving the assistance they need. Reduced tax revenues would result in further cutting of the federal programs those families rely on, exacerbating the hardships they face. In addition, capping the gross public debt prohibits programs like Social Security from drawing on previously saved funds, making cuts to residents’ payments nearly unavoidable. Under the

1. Kogan, Richard, *Balanced Budget Amendment Could Lead to Extreme Budget Cuts*, Center on Budget and Policy Priorities (April 2018)
2. United States Department of Labor
3. United States Department of Agriculture