



On August 2nd, President Obama signed into law the Budget Control Act of 2011 (also known as the “Debt Deal”). This Act was a compromise negotiated between the Administration and Congressional leaders to raise the debt ceiling by \$2.4 trillion, allowing the federal government to continue to fund its obligations through 2012.

As part of this agreement, Congress is required to vote on a balanced budget amendment (BBA) to the Constitution between October 1st and December 31st, 2011. Passage requires approval by two-thirds of each chamber and three-quarters of state legislatures (38 states).

As of October 1, no single, specific BBA has been identified as *the* one that Congress will vote on to fulfill this requirement. This past summer, however, the Republican-controlled House indicated its willingness to enact measures that would cut Social Security, Medicare and Medicaid when it passed the “Cut, Cap and Balance” bill. This bill required Congress to pass one of the following proposed BBAs: H.J. Res 1, S.J. Res 10, and H.J. Res 56. While “Cut, Cap and Balance” did not pass the Senate, these proposed BBAs may provide a preview of what Congress may vote on.

For instance, H.J. Res. 1 would cap government expenditures at 18% of gross domestic product (GDP) by 2018. To meet this threshold, Congress would have to make extreme budget cuts. Among other things, these cuts would include (1) adopting Representative Paul Ryan’s voucher plan to privatize Medicare; (2) raising the Medicare eligibility age from 65 to 67; and (3) raising the Social Security retirement age to 70. By 2021, such a budget would have *reduced the following programs in half*: Medicaid; the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), and Supplemental Security Income.

Most of the proposals require approval of either 3/5ths or 2/3rds of Congress to raise taxes (revenue). Such high a threshold will make it virtually impossible to raise taxes, which means that meeting a balanced budget requirement would mandate severe program cuts and **jeopardize all federal programs, including Social Security, Medicare and Medicaid**. Only defense spending during times of war or military conflict would be exempt from cuts.

The BBAs are designed to protect the Bush tax cuts for the wealthy while balancing the budget on the backs of seniors and the middle class.

The BBA proposals do not make exceptions for unforeseen emergencies, like hurricanes or floods, or economic downturns and could further harm a weakened economy. During an economic slump, government expenditures increase in the form of payments for unemployment insurance, food stamps and Medicaid. These “automatic stabilizers” can turn budget surpluses into deficits. A BBA effectively suspends the automatic stabilizers by requiring them to be offset with cuts in federal spending or tax increases, neither of which are advisable during a recession.

What Should I Tell My Friends about a Balanced Budget Amendment?

A balanced budget amendment would result in severe cuts to Medicare!

- It would raise the Medicare eligibility age to 67, voucherize the program and impose even deeper cuts than the Ryan budget.

A balanced budget amendment would result in severe cuts to Social Security!

- It would raise the retirement age to 70.
- Because the BBA would require that spending in any year be offset by revenues collected *in the same year*, Social Security could not use its reserves to pay benefits – even if it had balances in its trust fund, as it does today. Instead, it would be forced to cut benefit for millions of Americans.

A balanced budget amendment would gut Medicaid and diminish low-income programs!

- The BBA would reduce the federal Medicaid contributions to states, thereby shifting costs on to the states, providers and Medicaid beneficiaries and seriously jeopardize nursing home and home care services for seniors and individuals with disabilities.
- By 2021, programs like Medicaid, food stamps and SSI would be cut in half.

A balanced budget amendment is bad for the economy!

- By requiring a balanced budget every year, no matter how the economy was performing, the BBA would force cuts in vital programs and spending JUST when the economy is weak or in recession - just the opposite of good economic policy.

Where can I find out more?

Center for Budget and Policy Priorities:

- <http://www.cbpp.org/cms/index.cfm?fa=view&id=3509>
- <http://www.cbpp.org/cms/?fa=view&id=3537>

Economic Policy Institute:

- http://www.epi.org/analysis_and_opinion/entry/house_18_spending_cap_is_as_bad_and_infeasible_a_policy_as_the_senates/ 092811

