**The Balanced Budget Amendment Is Bad Public Policy**

## Topline messages:

* **The BBA is bad public policy that will hurt working families and the middle class** by sabotaging our economy and forcing cuts to Social Security, Medicare, and other essential programs everyday Americans rely on.
* **The BBA isn’t about fiscal responsibility, it reflects an extremist view of government.** President Trump and Republicans in Congress just voted for a big tax cut largely benefitting the wealthy and big corporations, adding over $1 trillion to America’s debt. Now, the Republicans are suddenly focusing on balancing the federal budget and deficit? The BBA isn’t about the deficit. It is simply their way to force extreme cuts to Social Security, Medicare, and education. The American people won’t be fooled by this reckless idea and hypocrisy.
* **The BBA is just another way that Congress is failing to do its job.** A federal balanced budget amendment is a misuse of the Constitution that could leave detailed fiscal policy to unelected judges or give unilateral authority to the President. That’s not how democracy is supposed to work. We need Congress to do its job and create a budgeting process that works for the American people, not simply pass the buck and give up on their constitutional duties.
* **The BBA would limit our nation’s ability to respond to national emergencies or disasters**. A federal balanced budget amendment would not allow for flexibility to respond appropriately to sudden changes in the economy, natural disasters, or national security threats. While proponents argue that most state governments and American families have to balance their budgets and checkbooks, the analogy to a constitutional balanced budget amendment is misleading. As well as building reserve funds, state governments often borrow money to finance building roads, schools, and other public projects. Most American families borrow money for mortgages, student loans, and other investments. Under a constitutional balanced budget amendment, the federal government would not be able to borrow to finance a response to a national security threat or to boost economic growth.

## Key economic points:

* **The BBA would sabotage the economy.** By requiring a balanced budget every year, no matter the state of the economy, the standard BBA would raise serious risks of tipping weak economies into recession and making recessions more frequent, longer, and deeper, causing very large job losses and hurting long-term growth. That’s because it would force policymakers to cut spending or raise taxes just when the economy is weak or already in recession — the exact opposite of what good economic policy calls for.
* **The BBA would end Social Security, Medicare, Medicaid, education, and other important programs as we know them.** Because the BBA prohibits expenditures from exceeding revenues collected *in that year*, Social Security, Medicare, the FDIC, the military and civil service retirement funds would all be on the chopping block. The $2.9 trillion in Treasury securities held by Social Security would not be available to help pay benefits to the baby boomers in retirement since almost all of it was collected in prior years.
* **The BBA is much stricter than state requirements**. Even if a state has a constitutional balanced budget requirement, they are still permitted to borrow to finance some or most capital expenditures to fund big projects that creates jobs like transportation and infrastructure. A federal balanced budget amendment prohibits all federal borrowing. States also use Rainy Day Funds – essentially savings accounts in case of emergencies - but the BBA would prohibit the federal government from doing so.
* **The BBA is *far* stricter than constraints on families.** American families balance their checkbooks but *not* their budgets, because that would mean no borrowing: no mortgages, no student loans, no dealer-financed cars. And even if a rich family never borrowed, it might use its savings or inheritance to buy a house or pay for college. But if this BBA applied to families, they would have to finance houses entirely out of *current* *income*: they could not use their personal savings.

## Key constitutional and transparency points:

* **The BBA is a misuse of the Constitution.** The U.S. Constitution is the way we enshrine the values of the nation for future generations. It should not be used to set fiscal policy. The budgeting process and fiscal policy is foreign to the Constitution’s traditional use and purpose.
* **Under a BBA, unelected judges could be forced to make detailed fiscal policy decisions that impact all American families.** Enforcement of a constitutionally imposed balanced budget amendment would be difficult, if not impossible. It is unclear who would interpret the amendment. The amendment would force courts to do so and it is an area for which our judicial system is not equipped. Our judges are not trained in fiscal policy, appropriations and expenditures. The result would be that the budget process would be subject to endless litigation that could both damage the judiciary and the budgetary process.
* **The BBA could make Congress even less transparent about how it is spending money.** A constitutional balanced budget amendment would increase pressure to change budget formulas so that items would be hidden from public view – like many states do – to encourage Congress to hide federal spending in off-budget agencies or increase the number of off-budget items.