

**U.S. House of Representatives
Committee on the Judiciary**

**Hearing on
Constitutional Solutions to Our Escalating National Debt:
Examining Balanced Budget Amendments**

July 24, 2014

Written Statement

**Representative Justin Amash
Michigan – Third Congressional District**

Thank you, Chairman Goodlatte, Ranking Member Conyers, and Members of the Committee for the opportunity to be here. I've enjoyed working with many of you, and I hope this is another place we can find common ground.

We all understand the federal government's budget problems. But we also recognize how difficult it is to prioritize responsibly without knowing that our work will ultimately matter. Building consensus, forging compromises, and taking tough votes are difficult if they can be undone easily.

That's why I support amending the U.S. Constitution to require balanced budgets. It's a commitment to be responsible, to set priorities, to avoid a debt crisis, and to lighten the growing burdens of indebtedness.

Not every proposed balanced budget amendment makes sense, however. We should be cautious about changing the Constitution, and a BBA in particular must be carefully drafted.

First, it must be simple, concise, and general. Most of the Constitution establishes broad principles and we fill in the details with legislation. Some areas are more specific, however, and it's appropriate to be clear with a budget balance rule.

Second, it must be narrowly tailored. A balanced budget amendment doesn't need to put the President's budget request or a debt limit in the Constitution, limit spending as a percentage of GDP, address revenue policy, or carve out certain programs. A balanced budget amendment should require overall spending and revenue to match up. That's it.

Keeping it focused is good politics too. Constitutional amendments require the support of two-thirds of both Houses of Congress and 38 State legislatures. They must be bipartisan to succeed.

And a balanced budget amendment is, at least in concept. In 2011, two-thirds of Senators split their votes between two versions. In the House, 61% voted for H.J.Res. 2 and another 16 cosponsored at least one other BBA. That's 65%. The right proposal could pass with 75%-80% support.

It also has to be workable. Michigan's budget must balance every year. In the Michigan House, we had quarterly budget meetings to adjust programs as spending and revenue estimates changed. It's too much uncertainty.

In addition, we need flexibility to address emergencies. A BBA needs a safety valve that's tight enough to avoid abuse but loose enough to be use-able.

Finally, a reasonable path to balance is vital. Many reforms start with small savings and build over time. Establishing the necessary trust and confidence grows gradually too.

I'd like to turn to the proposal I've introduced, H.J.Res. 24. It meets the standards I've mentioned and has substantial bipartisan support.

I call H.J.Res. 24 the "Business Cycle Balanced Budget Amendment" because it balances over the business cycle instead of every year. Spending is based on the rolling average of revenue from the three prior years. Policies stay predictable, not only because averaging tames revenue fluctuations but also because it doesn't rely on estimates that can shift.

It lets Congress choose any level of government spending and revenue. Lower taxes with a smaller government providing fewer services is possible, as is a larger government providing more services with higher taxes. The only non-option is perpetual deficits.

It lets fiscal policy be countercyclical. When a recession hits, spending is still based on the pre-recession boom years. This higher spending and the recession-induced revenue drop can cause deficits. And that's okay. As the economy recovers, spending begins to incorporate the recession-year revenue, producing small surpluses in the good years.

Setting spending this way provides the predictability and stability I've mentioned while also letting revenue changes feed into spending quickly.

The idea is to focus Congress on structural balance and long-term prioritization instead of on constant tinkering. Deficits from recessions and emergencies are offset by surpluses in good years, which economists recommend by an overwhelming majority.

As for the safety valve, emergency spending requires a two-thirds vote in Congress, the normal constitutional supermajority. Conversations I've had with Democratic and Republican Members suggest that it's the right standard. We should have broad agreement before we put a lot of money on the credit card.

The Business Cycle BBA allows a full decade to reach balance after ratification. As I said, setting national priorities and realizing savings takes time. It lets us phase-out deficits faster, of course, but a smoother transition might be worth taking a little longer.

The Business Cycle Balanced Budget Amendment has strong bipartisan support. Republican cosponsors have included members of the Republican Study Committee and the Tuesday Group. Democratic cosponsors have been members of the Blue Dog Coalition, the New Democrat Coalition, and the Congressional Progressive Caucus.

The Business Cycle Balanced Budget Amendment may be the BBA with the broadest support. Only 6 of the 14 Democrats that cosponsored it last Congress voted for the balanced budget amendment that was brought to the floor in 2011. Additional members told me they would vote for the Business Cycle Balanced Budget Amendment if it came to the floor.

We need to balance our budget and end the downward spiral into debt. I am convinced that it will take a constitutional amendment, and congressional support already exists for the right proposal. We can come together to confront the challenges facing our great nation. To do so, however, we need the confidence that our return to fiscal responsibility and sustainability will endure. That's why I support a well-crafted balanced budget amendment.

Thank you again for having me here today. I look forward to continuing to work with all of you.

H.J.Res. 24, the Business Cycle Balanced Budget Amendment

Cosponsors: Reps. Amash (sponsor), Benishek, Bentivolio, Bucshon, Chabot, Culberson, Duncan (SC), Gardner, Gibson, Gosar, Gowdy, Graves (GA), Harris, Huelskamp, Hultgren, Jordan, Labrador, LaMalfa, Lamborn, *Lipinski*, *Loebsack*, Lummis, Massie, *Michaud*, Mulvaney, Palazzo, Pearce, *Quigley*, Ribble, Rokita, Sanford, A. Scott (GA), Southerland, Stockman, Stutzman, Tipton, Walberg, Young (IN)

<u>H.J.Res. 24</u>	<u>Plain English</u>
<p>SECTION 1. Total outlays for a year shall not exceed the average annual revenue collected in the three prior years, adjusted in proportion to changes in population and inflation. Total outlays shall include all outlays of the United States except those for payment of debt, and revenue shall include all revenue of the United States except that derived from borrowing.</p>	<p>Spending = rolling average of recent revenue (average revenue of previous three, adjusted for population changes, inflation)</p> <p>“Outlays” include everything but debt reduction. Borrowing is not “revenue.”</p>
<p>SECTION 2. Congress may by a roll call vote of two-thirds of each House declare an emergency and provide by law for specific outlays in excess of the limit in section 1. The declaration shall specify reasons for the emergency designation and may authorize outlays in excess of the limit in section 1 for up to one year.</p>	<p>Additional emergency outlays</p> <ol style="list-style-type: none"> 1) Require two-thirds support 2) Require detailed emergency declaration 3) Only last one year at a time (can be renewed)
<p>SECTION 3. Congress shall have power to enforce this article by appropriate legislation.</p>	<p>Implementing legislation is authorized.</p>
<p>SECTION 4. This article shall take effect in the first year beginning at least 90 days following ratification, except that outlays may exceed the limit in section 1 by the following portion of the prior year’s outlays exceeding that limit (excepting emergency outlays provided for by section 2): nine-tenths in the first year, eight-ninths in the second, seven-eighths in the third, six-sevenths in the fourth, five-sixths in the fifth, four-fifths in the sixth, three-fourths in the seventh, two-thirds in the eighth, and one-half in the ninth.</p>	<p>Gradual ten-year transition, beginning the year (fiscal or calendar) starting 90 days after ratification to allow time to write implementing legislation & change policies.</p> <p>Ratification-year deficit reduced at least 1/10th each subsequent year. Faster deficit reduction locks in that progress.</p> <p>Emergencies don’t affect baseline.</p>

H.J.Res. 24, the Business Cycle Balanced Budget Amendment

*Rep. Justin Amash + Bipartisan Cosponsors**

Balances Spending with Rolling Average of Recent Revenue

Bases yearly spending on the average annual revenues of the three prior years. Adjusts for changes in inflation and population: about 2% and 1% per year, respectively.

- **Balance over the Business Cycle:** Allows deficits during recessions, but surpluses offset them during the good years, just as economists recommend.
- **Predictable/Smooth:** Prior-year revenue is known in advance. Basing spending on a revenue rolling average dampens year-to-year tax collection fluctuations, so the budget balances in the medium term without the uncertainty and volatility of annual balance. This avoids frequent tinkering with fiscal policy, enhancing predictability for both policymakers and the American people.
- **Countercyclical:** Allows spending to peak during recessions when revenue is down. Most recessions are short enough for the economy to recover before fiscal adjustments, if any, would be necessary.
- **Size-of-Government Neutral:** Spending is only constrained by the amount of revenue raised. A robust form of Pay-Go, it simply requires new spending and new tax cuts to be offset.
- **Encourages Prioritization:** Congress must decide whether resources are better left in the private sector or used for public purposes. Makes it easier to resist special interest demands.

Two-thirds Emergency Exception

Two-thirds of both Houses of Congress may declare and describe an emergency and provide funding to meet related needs.

- **Emergencies Can Take Many Forms:** An open-ended exemption gives Congress flexibility to meet unforeseen needs of whatever kind.
- **Consensus Required:** A supermajority requirement encourages reprioritization and creative thinking instead of more deficit spending.

Gradual Transition to Balance

Establishes a gradual ten-year transition from the ratification year deficit to balance.

- **Flexible Process:** Adapts to business cycle ups and downs, avoids creating constitutional fiscal cliff to balance. Deficit reduction can be achieved from any combination of spending and revenue adjustments. Faster deficit reduction gets locked in.
- **Time to deliberate:** Favors changes that make sense instead of those that can happen quickly.

Leaves Enforcement to Implementing Legislation

- **Constitutional Language:** Constitutions set broad, general rules. Statutes are the appropriate place for procedural details.
- **Flexibility and Process Expertise:** A constitutional amendment should be simple to explain and understand. Proper implementation and enforcement require detailed knowledge of the budget process, including congressional appropriations and agency expenditures. Provisions worth debating include restrictions on judicial review, compliance triggers, points of order, defining terms, and others. These provisions are complicated and should be relatively open to improvement.

* H.J.Res. 81 in the 112th Congress had 45 Republican and 14 Democratic cosponsors.