

Legislative Analysis



FEDERAL BALANCED BUDGET AMENDMENT

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Senate Joint Resolution V (Substitute H-1)

Sponsor: Sen. Mike Green

Committee: Financial Liability Reform

Complete to 2-17-14

A SUMMARY OF SENATE JOINT RESOLUTION V (H-1) AS REPORTED FROM HOUSE COMMITTEE 2-13-14:

Senate Joint Resolution V would, pursuant to Article V of the United States Constitution, petition the U.S. Congress to call a convention to propose amendments to the federal constitution to require a balanced federal budget. More specifically, the proposed amendment would require that, in the absence of a national emergency, the total of all federal appropriations made by Congress for any fiscal year could not exceed the total of all estimated federal revenues for that fiscal year, together with any related and appropriate fiscal restraints.

The resolution would further resolve that:

- The application be considered as covering the balanced budget amendment language of presently outstanding applications from at least 17 other listed states and that those applications be aggregated for purposes of attaining the two-thirds of states necessary to require the calling of a convention for proposing a balanced budget amendment, but that the application not be aggregated with applications on any other subject.
- The application constitutes a continuing application until at least two-thirds of the states have made applications on the same subject and that the application supersedes all previous applications by the Legislature on the same subject.
- Certified copies of the joint resolution be transmitted to the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, and each member of Michigan's congressional delegation, and that printed copies be sent each house of each state legislature in the U.S.

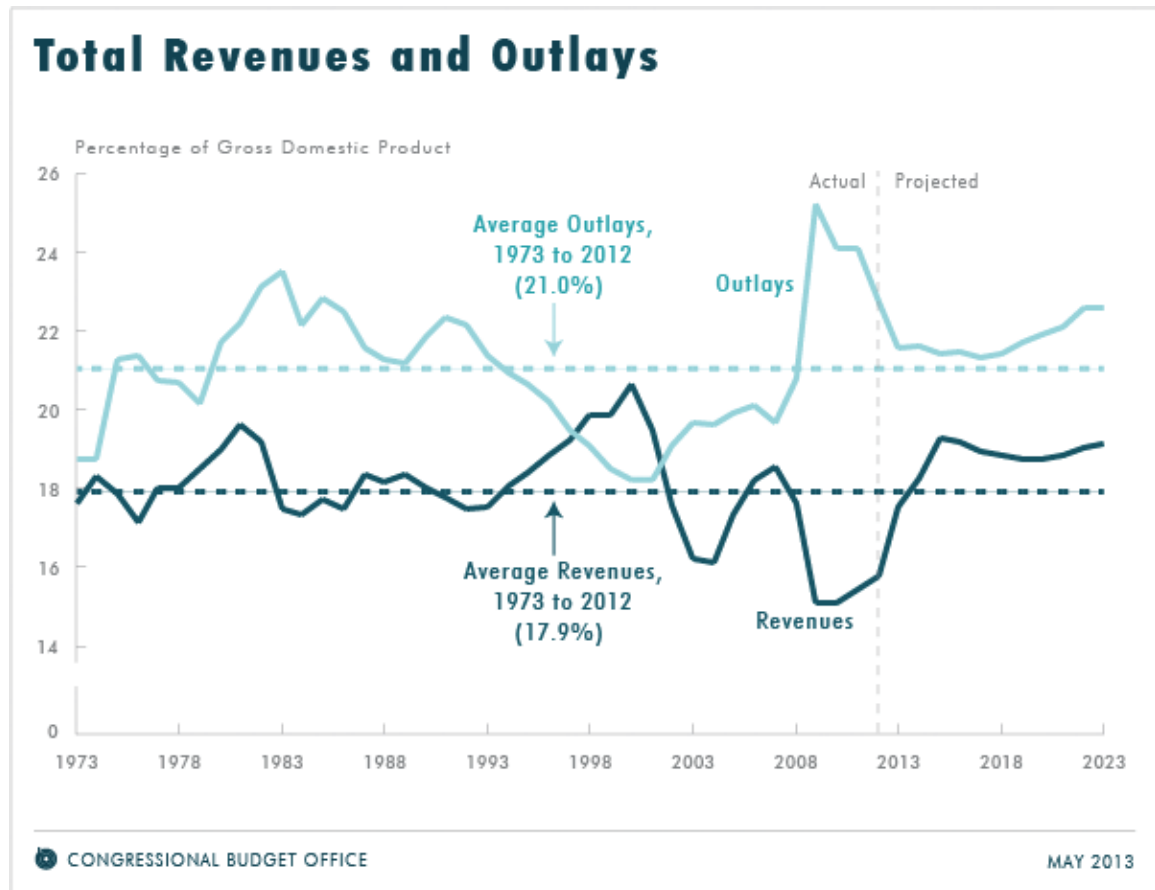
FISCAL IMPACT:

Adoption of the joint resolution itself would have no fiscal impact on state or local government. Adoption of and compliance with the federal constitutional amendment described in the resolution could have substantial fiscal impact on state and local government, depending on how adjustments were made to the federal budget and/or tax code to bring it into balance. For reference, \$21.0 billion, or 41.9%, of the current FY 2013-14 state budget of \$50.2 billion is appropriated from federal sources. The largest budget areas for which federal funds are received are Community Health, Human Services, School Aid, and Transportation.¹

¹ Source: http://www.house.mi.gov/hfa/PDF/FY14_YTD_Overall.pdf.

BACKGROUND INFORMATION:

The chart below, produced by the nonpartisan Congressional Budget Office (CBO), provides historical and projected information on federal revenues, outlays, and budget deficits or surpluses.² Generally, deficits have increased during periods of economic downturn and decreased during periods of economic growth, although federal tax and budget policy changes also contribute to changes in deficits over time.



The federal budget was most recently balanced in the late 1990's. Deficits increased over the ensuing decade, peaking in 2009 following the Great Recession. The deficit has declined over the last few years and is projected to continue declining for several years and then persist within a range of roughly 3 to 4% of Gross Domestic Product (GDP) under current federal policies through the next decade. The CBO's projections are that federal debt held by the public will stabilize at about 70% of GDP over that time.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

² Source: <https://www.cbo.gov/publication/44172>.