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Perry Likely to Push for Balanced Budget Amendment

by Ben Philpott | 5 hours ago

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Gov. Rick Perry will release more details of his jobs and economic plan at a speech today in South Carolina and while the speech is expected to center on his plan for a national flat tax, Perry is also expected to use the address to push for a balanced-budget amendment to the U.S. Constitution.

Texas' constitutional requirement for a balanced state budget might offer insight into Perry's plan.

That requirement was on full display earlier this year when state lawmakers cut \$15 billion in spending in an effort to spend only what the state was projected to bring in. But even with those giant cuts, the budget wasn't exactly balanced.

"Balanced only in kind of a technical sense, not in a real sense," said Dick Lavine of the left-leaning Center for Public Policy Priorities. He said lawmakers wrote the budget to underfund some agencies on purpose.

"They know, and it's an open secret, that they are going to owe a great deal of money, something like \$5 billion, just to finish paying for Medicaid," Lavine said.

That tab will be due at the start of the 2013 legislative session, when lawmakers will have to approve a supplemental appropriation to pay off the final months of the two-year budget cycle.

Lavine said such budgeting has led to dramatic swings in services offered to the poor in Texas. In 2003, for instance, more than 200,000 children were cut from the state's Children's Health Insurance Program. In 2011, \$4 billion was cut from public education.

He worries that forcing those kinds of cuts to balance a federal budget would make it more difficult to escape an economic downturn.

"Where you get a recession, revenues drop," Lavine said. "The balanced-budget amendment would prohibit the federal government from making up the difference and paying for things like unemployment insurance, which would hurt the economy even further. So revenues would drop again, and you'd find yourself on the way to the bottom."

But Mario Loyola of the conservative Texas Public Policy Foundation said that that's not the type of amendment most conservatives want to see passed.

"Grover Norquist of Americans for Tax Reform hates the idea of a pure balanced-budget amendment, because it would end up being enforced by courts as a tax increase to cover the deficit," he said.

Audio: Ben Philpott's story for KUT News

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Loyola said all of the serious proposals he has seen, and that his organization has backed, focus on spending limits in each budget and allow 10 years to implement that limit.

Those provisions would not just be necessary to keep the amendment from drastically harming the U.S. economy but also could make it easier to pass nationally, he said.

"You know that would be necessary, also, to have any hope of ratification in the three-fourths of the state legislatures that would need to ratify a constitutional amendment," Loyola said. "Which would probably itself take many years and building a very broad consensus."

While politicians and political parties continue to battle over whether a balanced-budget amendment would hurt or help the economy, Rice University political scientist Paul Brace said there are examples of how the theory would work in the real world.

"Some European countries — Switzerland, Germany, Italy, Spain — have adopted balanced-budget amendments," Brace told KUT News. "So this is an idea that is spreading somewhat in some Western industrialized nations."

But it's too soon to tell what kind of effect the new budgeting systems will have on their economies.

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