

Balanced Budget Amendment (BBA) Q & A

1. How could a balanced budget amendment (BBA) address a national emergency like Covid-19?

Ans: A BBA could be designed to allow emergency spending above its annual spending-growth-limit (SGL). Excess spending in one year could reduce the SGL over future years by the emergency-spending amount plus interest.

2. Would taxes have to be raised to balance the budget?

Ans: No. A BBA designed to limit the growth of government spending would not require budgets to balance annually. Balance would be achieved by keeping the growth of government in line with the growth of the economy.

3. Would balancing the budget require Social Security benefits to be cut?

Ans: No. A BBA could be designed with an exemption for Social Security.

4. Would Medicare and Medicaid be affected by a spending-growth-limited BBA?

Ans: Yes. All government entitlement programs and trust funds (except Social Security) could be required to institute reforms to slow their growth.

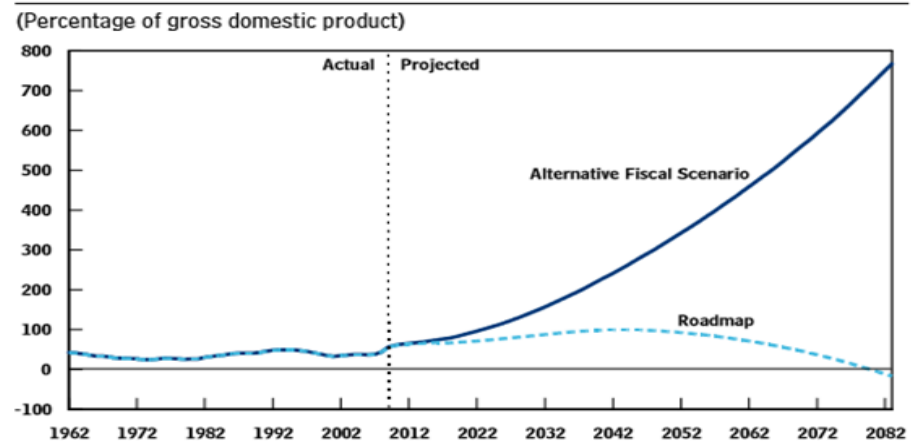
5. How could a balanced budget amendment be enforced?

Ans: A BBA could be designed with a requirement for an annual independent audit. If the audit found that the spending growth limit had been exceeded, a BBA could penalize members of Congress by declaring them ineligible for reelection.

6. What impact would a spending-growth-limited BBA have on the national debt?

Ans: The \$25 trillion debt could be completely paid off in 75 years without raising taxes or cutting spending.

Figure 1.
Debt Held by the Public Under CBO's Alternative Fiscal Scenario and the Roadmap

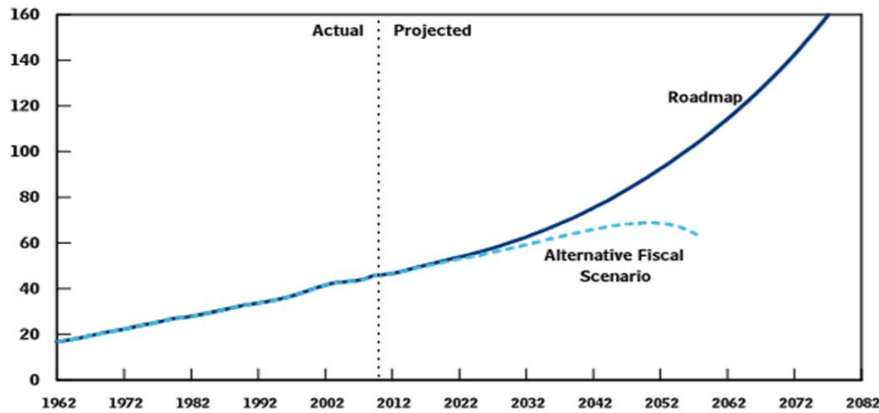


Source: Congressional Budget Office based on the agency's *The Long-Term Budget Outlook* (June 2009).

Figure 4.

Real Potential Gross National Product per Person Under CBO's Alternative Fiscal Scenario and the Roadmap

(Thousands of 2009 dollars)



Source: Congressional Budget Office based on the agency's *The Long-Term Budget Outlook* (June 2009).

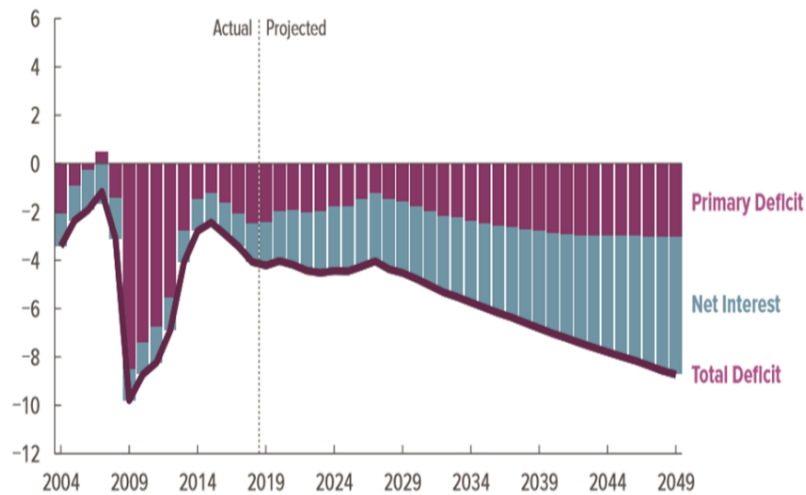
7. What impact would the spending-growth-limited BBA have on family income?

Ans: By constitutionally prohibiting government spending from growing faster than the economy, personal income (adjusted for inflation) would quadruple from \$40,000 to \$160,000 per year, over 75 years.

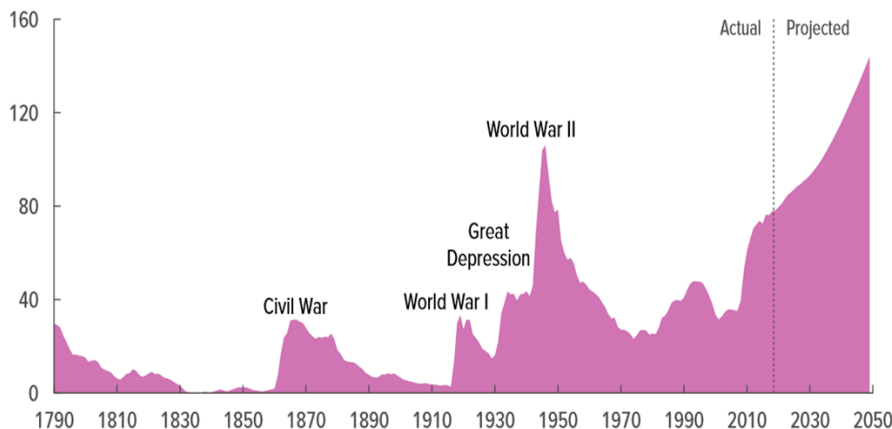
8. What happens if a BBA is not passed?

Ans: The Congressional Budget Office estimates that under current law, annual deficits will increase

resulting in stagnant family incomes, tax increases and ultimately an economically catastrophic depression.



Deficits grow from 4.2 percent of GDP in 2019 to 8.7 percent in 2049, driving up debt. Net spending for interest on debt accounts for most of the growth in total deficits.



In CBO's projections, federal debt held by the public totals 144 percent of gross domestic product (GDP) in 2049, an unprecedented level.