CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 21, 2011

H.J. Res. 1

A joint resolution proposing a balanced budget amendment to the Constitution of the United States

As ordered reported by the House Committee on the Judiciary on June 15, 2011

H.J. Res. 1 would propose an amendment to the Constitution that would prohibit total outlays of the United States from exceeding total receipts in a fiscal year; such a requirement could be overridden by a three-fifths vote in each House. The amendment also would require that:

- Total outlays in any fiscal year not exceed 18 percent of gross domestic product (GDP), unless the Congress approves a specific increase over that amount by a two-thirds vote;

- A three-fifths vote be taken in each House to raise the limit on federal debt held by the public and a two-thirds vote to approve any bill that increases revenue; and

- The proposed budget submitted by the President be in balance.

Such provisions could be waived for any fiscal year in which a declaration of war is in effect or if a majority of each House determines that the United States is engaged in a military conflict that poses an imminent and serious military threat to national security.

The amendment would have to be ratified by three-fourths of the states within seven years of its submission for ratification, although no state would be required to take action on the resolution, either to reject or approve it. If ratified by the required number of states, the amendment would take effect beginning with fiscal year 2018 or the second fiscal year after its ratification, whichever is later.

The budgetary impact of adopting this amendment to the Constitution is very uncertain because it depends on when it would take effect and the extent to which the Congress would exercise the discretion provided by the amendment to approve budget deficits. Ultimately, changes in budgetary outcomes would depend on what future legislation was adopted to meet the requirements set by the amendment and how effective that legislation would be in meeting those targets.

Under the assumptions governing CBO's latest baseline projections (namely that current laws remain unchanged), the budget deficit in 2018—the first year the amendment could potentially take effect—would total $585 billion (2.8 percent of GDP). Under those assumptions, outlays in 2018 would equal 23.2 percent of GDP, while revenues would total 20.4 percent. Outlays have averaged close to 21 percent of GDP over the past 40 years.

By itself, enacting H.J. Res. 1 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.J. Res. 1 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Barry Blom. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis