

Constitutional Convention

RECOMMENDATION:

Reject measures calling for a Convention of the States and federal fiscal restraints.

OVERVIEW

Nebraska lawmakers in recent years have considered measures that call on Congress to assemble a Convention of the States to amend the U.S. Constitution.¹ Many Convention of the States proponents want to see the U.S. impose federal “fiscal restraints” – such as a federal balanced budget amendment, debt limits and even the elimination of the federal income tax. Some of these measures may sound reasonable and desirable but the reality is they could be immensely damaging to our state and national well-being.

BALANCED BUDGETS MAY WORK AT THE STATE LEVEL, BUT FEDERAL GOVERNANCE FUNCTIONS DIFFERENTLY

Nebraska and other state governments operate under balanced budget amendments. State governments, however, play drastically different roles than the federal government. Being able to borrow and accrue debt is essential to the function of the federal government. The fiscal measures proposed by Convention of the States proponents would be devastating to the effective function of the federal government.

DEBT HELPS KEEP RECESSIONS FROM TURNING INTO DEPRESSIONS

During downturns in the economy, businesses and consumers spend less, which leads to job losses. At the same time, the cost of unemployment benefits and other programs, such as nutrition assistance and Medicaid, increase as more people need these services. Borrowing to fund these increases in benefits helps cushion the blow to the economy and prevents an economic tailspin. This helps families that receive the benefits and helps preserve the remaining jobs and incomes of those who produce or sell groceries, health care and other services. A balanced budget amendment would hinder our ability to stop an economic free fall, which is why more than 1,000 economists, including 11 Nobel laureates, issued a joint statement in 1997 condemning a balanced budget amendment that was considered by Congress, warning that it would aggravate recessions.

Runaway convention would be hard to prevent

Another major concern regarding a Convention of States is that it could not be controlled easily and could lead to sweeping changes far beyond those that were the impetus for calling a Convention of the States in the first place. There are no rules limiting a Convention of the States to one topic, nor are there rules as to how a Convention would be governed. Once a Constitutional Convention is called, any topic or change to the Constitution would be possible.² Given the current divisive state of American politics, it’s not hard to imagine (Continued on next page)

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Another type of fiscal restraint that has been discussed would require a supermajority of Congress to approve increases to the national debt. There are serious problems with this policy. For example, the U.S. treasury will borrow in most months to pay daily expenses of federal programs because revenues come in irregularly. This provision could make that practice unconstitutional even if the budget was balanced over the course of a year. This would threaten funding for many services that are essential to our citizens and our economy.

FEDERAL FUNDS ARE VITAL TO NEBRASKANS

At a mock Convention of the States in 2016, delegates passed an amendment that would have eliminated the federal income tax, which accounts for 47 percent of federal revenues. This would decimate federal funding for many services Nebraskans need. Nearly \$3 billion in federal dollars support critical services in Nebraska, including almost \$400 million for K-12 education.³ Without this funding, Nebraska would have to make severe cuts to our schools or raise state or local taxes, which would likely exacerbate our residents' frustrations with local property taxes. Nebraska also benefits from significant federal funding via defense related spending, farm subsidies, Medicaid and Social Security. All of this funding would be threatened by the restraints called for by some Convention of the States proponents.

CONCLUSION

The U.S. has one of the strongest, most resilient societies and economies in the world. Our collective adherence to our Constitution as well as the ability of our leaders to make fiscal decisions regarding borrowing and accruing debt are essential in helping maintain this status. There is a more appropriate way to make changes to the U.S. Constitution than calling a Convention of the States: namely, the amendment process. This process greatly reduces the risk of sweeping changes and damaging unintended consequences. There also are better ways to lessen federal debt and improve state fiscal health than enacting the fiscal restraints called for by some Convention of States proponents. These include examining and reforming tax incentives and expenditures to ensure they are a good use of taxpayer dollars. With better options available and so much at stake for our nation and its economy, Nebraskans would be best served by lawmakers rejecting measures to call a Convention of the States.

special interests from across the political spectrum working to push their agendas in such a setting, resulting in major changes. A Convention of States also would subvert the amendment process, which has been used many times to make targeted amendments to the Constitution that don't carry the same threat of sweeping unintended consequences.

Zero chance of debt default

Some call for the U.S. to enact fiscal restraints to prevent the country from defaulting on its debt. The U.S., however, cannot default on its debt because the debt is issued in U.S. currency. As former Federal Reserve Chairman Alan Greenspan said, "The United States can pay any debt it has because we can always print money to do that. So there is zero probability of default."⁴

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REFERENCES

¹ Nebraska Legislature, "LR 6," downloaded from http://www.nebraskalegislature.gov/bills/view_bill.php?DocumentID=30679, on Aug. 4, 2017.

² Omaha World-Herald, "Eric Berger: No to a Constitutional Convention," downloaded from http://www.omaha.com/opinion/eric-berger-no-to-a-constitutional-convention/article_d3b4fc9d-cf7d-5c39-a514-88d2a8e7a71d.html on Dec. 18, 2017.

³ Nebraska Legislature, "State of Nebraska, FY2017-18, FY2018-19 Biennial Budget," downloaded from <http://www.nebraskalegislature.gov/pdf/reports/fiscal/2017budget.pdf> on Oct. 3, 2017.

⁴ Forbes, "Five Reasons Why a National Balanced Budget Amendment is Lunacy," downloaded from <https://www.forbes.com/sites/johntharvey/2015/08/10/five-reasons-balanced-budget-is-lunacy/#25d135c25bbe> on Oct. 3, 2017.