



# Common Cents

New Hampshire Fiscal Policy Institute Blog

## Proposed Constitutional Amendment Could Distort and Disrupt State Budget Process

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Next week, the Senate will consider a measure to amend New Hampshire's Constitution to create a new balanced budget requirement. If passed by the legislature and approved by New Hampshire's voters, CACR 27 would prohibit expenditures in any year from exceeding available revenue and barring policymakers from borrowing to cover operating costs. While such an amendment may have some innate appeal, in reality, it is both redundant and risky.

As a general rule, changes to New Hampshire's most basic and foundational document should be rare and demonstrate a clear need. CACR 27 fails to meet this standard, as existing statute already includes similar requirements for the state budget. More specifically, RSA 9:8-b states that "The general court shall not adopt an operating budget for any fund, or any other legislation which provides for appropriations, which exceed the state's total estimated revenues from existing, increased, or new taxes, fees, operating income and other sources." It goes on to stipulate that "Such operating budget shall not use bonded indebtedness to fund operating appropriations."

What's more, current statutory requirements are reinforced by both political and economic forces. New Hampshire voters expect that their elected officials will act in a fiscally responsible manner and balance the state budget. Indeed, as the National Conference of State Legislatures has noted:

**For the majority of the states...the most important factor contributing to balanced budgets is not an enforcement mechanism or a provision specifying how a shortfall will be resolved. Rather, it is the *tradition* of balancing the budget that has created a forceful political rule to do so...the *expectation* that state budgets will be balanced is the most important force in maintaining a balanced budget.<sup>1</sup>**

At the same time, bond rating agencies look favorably on states that meet those expectations and that do so via a transparent process that matches sustainable revenues with manageable expenses.

Some may argue that New Hampshire ought to elevate these kind of prohibitions and enshrine them in the Constitution, but doing so could have unintended consequences. In tough times, states need flexibility to be able to balance their budgets. CACR 27 would constrain that flexibility, increasing the likelihood that future legislatures will have to resort to larger tax increases or deeper spending cuts than they might otherwise pursue in the depths of a recession.

In addition, placing a balanced budget requirement in the Constitution may lead to judicial intervention in New Hampshire's budget process in order to clarify the meaning of such strictures or to reconcile potential conflicts. In other words, rather than strengthen New Hampshire's budget process, CACR 27 holds the potential to distort and to disrupt it.

As amended and approved by the Finance Committee, CACR 27 would permit legislators to waive its balanced budget requirement with a two-thirds vote in both the House of Representatives and the Senate. However, as NHFPI has [observed](#) about similar constitutional proposals in recent years, a supermajority mechanism may foster partisan gridlock at the State House, as it would cede control over important priorities to a minority of the legislature. Nine individuals – the number of Senators required to keep the chamber from achieving a two-thirds supermajority – could forestall passage of the budget or delay or halt consideration of other critical legislation, if they were to withhold their backing in exchange for concessions on other, potentially unrelated issues.

In short, not only does CACR 27 seek to address a problem that does not now exist, but it could make the already difficult task of crafting the state's budget even more so.

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<sup>1</sup> National Conference of State Legislatures, *NCSL Fiscal Brief: State Balanced Budget Provisions*, October 2010, p. 9, emphasis in original.