

"To preserve our independence, we must not let our rulers load us with perpetual debt. I wish it were possible to obtain a single amendment to our Constitution ... an additional article, taking from the federal government the power of borrowing,"



Thomas Jefferson.



In a letter from George Washington to John Armstrong, our first president wrote "It should be remembered that a constitutional door is open for such amendments as shall be thought necessary by nine (2/3) States"

# *Debt,* 2015.8 *Deficits,* *and the* *Balanced* *Budget* *Amendment*



*President Lincoln endorsed the power of the people to amend the Constitution through an amendments convention, during his 1st Inaugural Address ... "This country, with its institutions, belongs to the people who inhabit it. Whenever they shall grow weary of the existing Government, they can exercise their constitutional right of amending it ... I will venture to add that to me the convention mode seems preferable.*

In James Madison's Report On the Virginia Resolutions, he wrote "...or two thirds of themselves (states), if such had been their opinion, might, by an application to Congress, have obtained a convention for the same object."



*In a letter to Lewis K. Uhler, President Ronald Reagan wrote, "... it is clear that we must rely on the states to force Congress to act on our (balanced budget) amendment. Fortunately, our Nation's Founders gave us the means to amend the Constitution through action of state legislatures."*



Balanced Budget Amendment Task Force



Researchers affiliated with the Balanced Budget Amendment Task Force created *Debt, Deficits, and the BBA*.

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# Balanced Budget Amendment Convention



## Debt, Deficits, and the BBA

In 2010, the Florida Legislature placed on the general election ballot the following question:

*BALANCING THE FEDERAL BUDGET ...  
A NONBINDING REFERENDUM CALLING FOR AN  
AMENDMENT  
TO THE UNITED STATES CONSTITUTION*

*Should the United States Constitution be amended  
to require a balanced federal budget without  
raising taxes?*

Yes \_\_\_ No \_\_\_

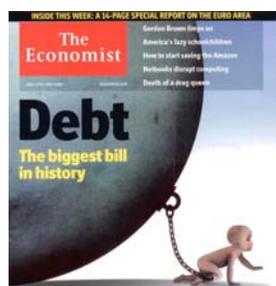
With almost 5 million votes cast, 72% of Florida voters said “Yes.” The measure passed by large margins in every Florida county.<sup>1</sup>

Why are Florida voters supporting a Balanced Budget Amendment? They are fearful of the economic and political future of our nation.

In October, Congress and the President bragged the deficit for Fiscal 2014 was only \$583 billion. This is strange math as the national debt increased \$1.1 trillion during the same period.

On November 29, 2014, the gross national debt reached \$18,000,000,000,000.

How much money is this? This is more money than all the debt of all European Union nations combined. It is more money than all the stars in the sky.



It is greater than our gross domestic product (GDP).

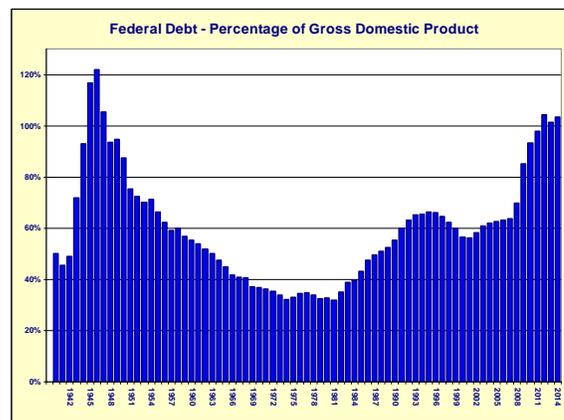
In 2014, only 13 of the world’s 172 nations had a debt greater than the size of their economy.<sup>2</sup>

On December 1, 2014, the Gross National Debt for our nation was 102% of the GDP. It has never been that high during peacetime, except in 2012 when it was 104%.<sup>3</sup>

During the height of World War II, the national debt reached 122% of the GDP. After the war, because of the reduction of government spending and a growing economy, the national debt dropped to 36% of GDP in 1980.

Unfortunately, for 41 of the last 43 years (1970 – 2013), “the world’s richest nation” borrowed money to fund the costs of its national government.

| % of Debt to GDP |      |
|------------------|------|
| Japan            | 227% |
| Greece           | 175% |
| Lebanon          | 146% |
| Jamaica          | 139% |
| Italy            | 133% |
| Portugal         | 129% |
| Ireland          | 123% |
| Cyprus           | 112% |
| Bhutan           | 111% |
| Singapore        | 106% |
| USA              | 102% |
| Belgium          | 102% |
| China            | 22%  |
| Russia           | 13%  |



## Deficits Cause Debt

During the ten years from 1993 to 2002, Congress borrowed \$1.3 trillion to pay for its expenditures. For every dollar of income, Congress spent \$1.13.<sup>4</sup>

Borrowing during the four years from 2009 – 2012 exploded. Even though expenditures for the wars declined significantly, \$6 trillion was borrowed over four years. **On average each year, for every dollar of income, Congress spent \$1.90!**

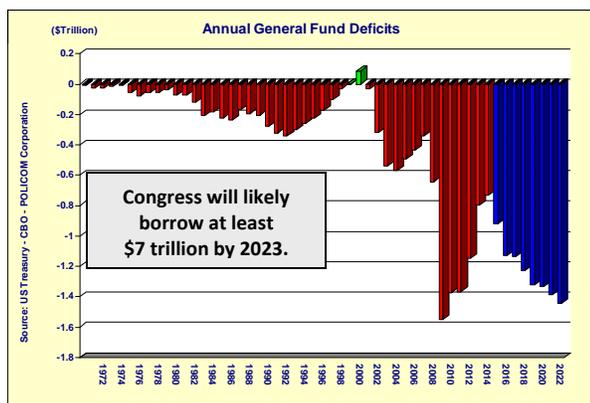
<sup>1</sup> Florida Secretary of State, Division of Elections.

<sup>2</sup> International Monetary Fund (IMF)

<sup>3</sup> History of Federal Debt - US Department of the Treasury

<sup>4</sup> Summary of Receipts and Outlays – Historical Series – US Department of the Treasury.

# Balanced Budget Amendment Convention



Unfortunately, Congress will likely borrow another \$7 trillion by 2023.<sup>5</sup>

One of the big questions is ... from where will it get the money? There simply is not enough money available in the world to finance this debt.

The Gross National Debt is the accumulated total of all the money borrowed over the years by Congress.

The government borrows from two sources: 1) the "Public" and, 2) Federal government trust funds.

## Public Debt

The Public Debt is money borrowed from private and public entities outside the Federal government including the Federal Reserve Bank and foreign entities. Interest must be paid on this debt. The proportion of the debt held by the Public has increased significantly over the years.

In 2007, the Public Debt accounted for 56% of the gross debt. The remainder of the money was borrowed from Federal Trust Funds. On November 1, 2014, of the \$17.9 trillion gross debt, \$12.85 trillion is owed to the Public, 72% of the gross debt. By 2020, Public Debt will grow to 82% of the gross debt.<sup>6</sup>

In order to find sources of funding for its annual deficits, over the years the Federal government has turned to

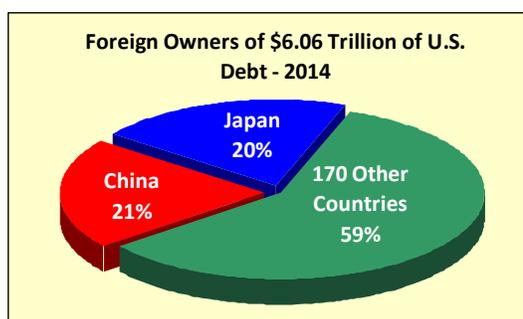
<sup>5</sup> Debt estimate is based upon projections by the CBO, OMB, and Department of Treasury, which reach a total of \$25 trillion by 2023. However, the projections do not take into account additional spending for any armed conflict, natural disaster, new spending programs, expansion of current entitlement benefits, or costs above what was projected for ObamaCare on the day of passage.

<sup>6</sup> Bureau of Public Debt, US Department of the Treasury.

foreign entities. In 2001, foreign entities owned 17% of all debt. However, by 2014, their stake grew to 34%.

Between 2001 and 2012, the Federal government borrowed \$7.9 trillion from the "public" to finance its deficits. Fifty-nine percent of the money came from foreign entities.<sup>7</sup>

China and Japan were the biggest lenders. In 2001, these two countries combined had only loaned our government \$364 billion. However, by 2014, the debt owed to these countries grew to \$2.48 trillion, 20% of the Public Debt.



Why would China and Japan loan our government so much money? It certainly is not because it is a great investment, as the interest rate paid is pitifully low.

They loan us the money in order to have political influence over foreign and trade policy.

## Trade Deficits

There is a fundamental economic principle, which has been true for a thousand years: trade surpluses are good, trade deficits are bad.

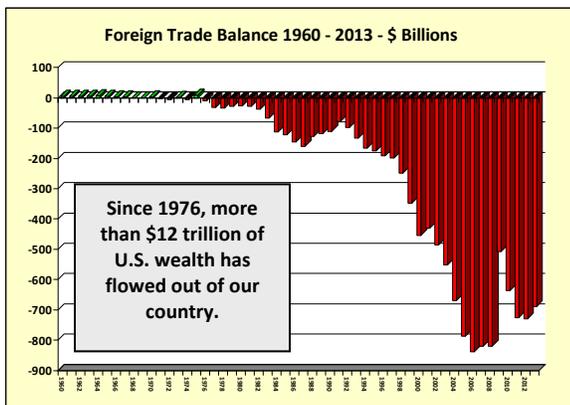
When a country has trade surpluses, more of its goods purchased outside the country than what the country imports, wealth flows into the country. When it has trade deficits, wealth flows out of the country.

From about 1870 to the end of the World War II, the United States had only a handful of years for which it had a trade deficit. We were a wealth generating, exporting nation. From 1950 through 1973, we had uninterrupted trade surpluses.

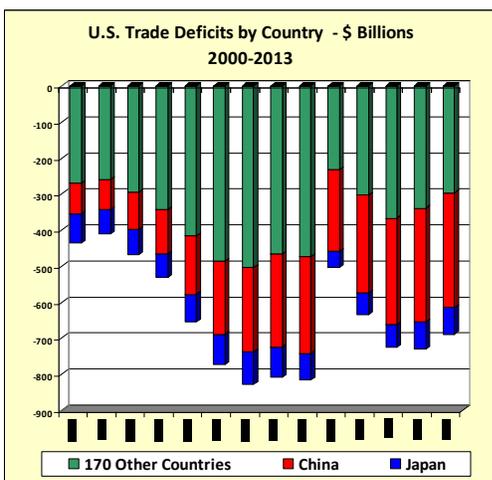
<sup>7</sup> Major Holders of Treasury Securities, US Department of the Treasury



Unfortunately, we have not had a trade surplus since 1976. The trade deficits have been massive and are draining our nation of its wealth.<sup>8</sup>



No nation would tolerate these trade deficits unless it had too. It would initiate trade policies, which require “fair trade” and simply turn around ships coming from ports, which do not cooperate.



However, the United States must obey the will of its bankers, China and Japan, and allow them to freely send their products to the United States without being required to purchase ours.

During this century, **for every dollar of U.S. goods** the Chinese purchased, on average each year we imported **five dollars of Chinese goods**.

On February 23, 2009, Secretary of State Hillary Clinton travels to China and met with Chinese leaders to

<sup>8</sup> International Trade Administration, Department of Commerce.

encourage them to “roll over” their existing debt and to continue to finance our government’s deficits.

Thirteen days later, on March 8, for no apparent reason, five Chinese naval vessels surrounded and harassed the USNS Impeccable, a naval research vessel in international waters. There was no military reason for China to do this. China simply wanted to let us know they could do it without any pushback from the U.S.

Every time our nation borrows money from foreign entities, we give up political control of our county to others.

Even with the political and economic benefits, foreign entities are losing interest in loaning our government money to finance its annual expenditures. China and Japan’s investment is now modest for their standards. The actual amount of money invested in Federal government securities in 2014 barely increased from 2013.

## Owed to Government Trust Funds

Congress has created almost one hundred “trust funds” over the years. Most are very small. A trust fund is essentially a savings account within the government.

A trust fund typically has a dedicated source of funding (tax). The expenditures are legally limited to the purpose of the trust fund. When the trust funds have surpluses, the fund trustees “invest” the money so it can be used in later years.

Unfortunately, Congress has not invested the trust fund surpluses in the private sector, as is the case for funds managed by state and local governments.

For example, the Ohio Public Employees Retirement System has about \$86 billion in assets.<sup>9</sup>

This money is invested in stocks, real estate, bonds, and private enterprises. The profit from these investments typically is enough money to meet the annual cost of the pensions for retired government workers. The trustees expect at least a 7% return on the investments. There is usually no demand on the state’s treasury. In the future, if there is a shortfall, the trustees can sell assets to pay for the pensions, not draw from the state’s general fund.

<sup>9</sup> Ohio Public Employees Retirement System.

# Balanced Budget Amendment Convention

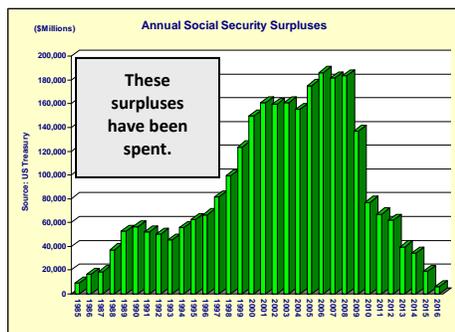


The largest of the Federal government's trust funds is the Social Security Trust Fund.

In the early 1990's, revenue to the Social Security Trust Fund was projected to fall short of disbursements to retired recipients. As a result, Congress, with the assistance of President George H.W. Bush, effectively doubled the social security payroll tax.

Congress told the people the huge tax increase would save the social security program until 2040. It explained the new taxes would create huge surpluses in the fund and be "banked" until a later day. These surpluses would be available when payouts to retirees exceeded the income from taxes.

The surpluses generated in the Social Security Trust Fund between 1985 and 2013 totaled about \$2.7 trillion. If the money had been invested in the private sector for the past 27 years, like state pension funds, even if it generated a modest profit of only 4% per year, there would be \$4.1 trillion of "real" dollars in the fund.



Beginning in 2017, there will no longer be surpluses. Payouts will exceed tax revenue.

Congress will have to begin to repay the \$2.7 trillion it has borrowed, all of it within 20 years.

However, Congress did not invest fund surpluses in anything other than Congress. Congress "borrowed" the money from **every trust fund** and spent the money for anything it desired.

Congress issued non-marketable bonds (cannot be sold to the public) to the trust funds, promising interest and repayment in the future. Unfortunately, Congress does not have a source of funding for repayment and literally issues an IOU for the interest due each year.

Between 2002 and 2008, Congress ran up \$3.3 trillion in deficits. Cash surpluses from the Social Security fund paid for 36% of the deficits, **an average of \$171 billion per year.**

| Between 2002 and 2008 deficits totaled \$3.3 trillion. From where did Congress borrow the money? |     |
|--|-----|
| Social Security Fund   | 36% |
| Foreign Entities   | 54% |

Sometime during 2016 or 2017, the Social Security Trust Fund will no longer have surpluses. The baby-boom generation will begin to retire in larger numbers. Income to the fund from taxes will not cover payouts to retirees.

At that point, the Social Security Administration is supposed to draw down on the fund to make up the difference. The \$2.7 trillion plus interest is supposed to last until at least 2035, maybe 2040.

But there is no money in the bank ... just IOU's.

On March 18, 2014, Congressional Budget Director Douglas Elmendorf stated, "... many Americans have paid Social Security taxes for decades, expecting to get benefits in retirement. But the money people paid years ago was used to fund other government activities."

Congress will have to find the cash to replenish the \$2.7 trillion borrowed. What is worse, Congress has been addicted to borrowing (taking) \$150 billion a year from the fund (the surpluses) to finance its deficits.

| Major Trust Funds - November 1, 2014 |                     |
|--------------------------------------|---------------------|
| Total Owed All Trust Funds           | \$5,080,104,000,000 |
| Social Security & Disability         | \$2,772,614,000,000 |
| Civil Service Retirement             | \$839,100,000,000   |
| Military Retirement & Medical        | \$757,249,000,000   |
| Medicare                             | \$191,425,000,000   |

Source: Bureau of Fiscal Service, Treasury Department

The same problem exists for the Civil Service and Military retirement funds. There is supposed to be money set aside for pensions. But there isn't ... because Congress spent the money on other stuff.

Congress has spent all the surpluses in all of the trust funds, including the James Madison Memorial Fellowship Foundation Trust Fund, which it owes \$37 million.



## Interest Rate Razzle-Dazzle

Some people fear this debt will hurt our children in the future. Actually, the burden of this debt has already fallen upon the shoulders of every American today.

For Fiscal 2014, interest payments on the debt totaled about \$429 billion. This is about 30% of what the federal government collected in personal income taxes (\$1.39 billion).

In 2007 the federal deficit, the amount Congress spent over income, was \$342 billion. Interest paid that

|      | Gross Debt    | Interest      |
|------|---------------|---------------|
| 2007 | \$9 Trillion  | \$429 Billion |
| 2014 | \$17 Trillion | \$429 Billion |

year was \$429 billion including that owed to the Federal trust funds. That year we essentially borrowed the money to pay the interest on the money we previously borrowed.

Wait a minute. How can the interest payment in 2014 be the same as in 2007 when the debt was much less?

The interest is less because the Federal government is doing the old “razzle-dazzle” with interest rates.<sup>10</sup>



Enter the Federal Reserve Bank of the United States.

In order to reduce the amount of money paid for interest on the national debt and to provide a new source to fund annual deficits, the Federal Reserve Bank is now electronically “printing money” to purchase existing bonds and notes and to pay for current Federal deficits.

Between March of 2009 and June of 2014, the Federal Reserve Bank electronically printed almost \$2 trillion and purchased Federal government securities. The interest

rate charged by the Federal Reserve Bank is virtually zero.<sup>11</sup>

| Federal Reserve Bank<br>Ownership of Federal Debt |                   |
|---|-------------------|
| March 1, 2009                                     | 474,619,000,000   |
| November 1, 2014                                  | 2,461,622,000,000 |

Source: Federal Reserve Bank

History has taught us the printing of currency to pay for its government is the last act of a desperate nation.

As a result, the average interest rate on the national public debt in November of 2014 was only 2.04%. In 2007, it was 4.8%.<sup>12</sup> In 1997, the interest rate was 7.1%.

| Average Interest Rate<br>Public Debt |       |
|--------------------------------------|-------|
| 2014*                                | 2.04% |
| 2007                                 | 4.83% |
| 1997                                 | 7.10% |

\*November 1, 2014

So, what would the interest payment have been in 2013 if the rate were the same as in 2007? At least \$800 billion.

Between 2009 and 2013, deficits totaled \$6.3 trillion. During this five-year period, surpluses in the Social Security Trust fund began to decline and only funded 6% (\$76 billion per year) of the deficit. The Federal Reserve funded 38% of our national debt.

| Between 2009 and 2013 deficits totaled \$6.3 trillion. From where did Congress borrow the money? |     |
|--|-----|
| Social Security Fund   | 6%  |
| Foreign Entities   | 40% |
| Federal Reserve  | 38% |

## Big Trouble Ahead

Congress plans to borrow about \$7 trillion through 2023. From where will it get the money?

The desire by foreign entities to purchase our debt has waned. Not only because the interest rate is very low,

<sup>10</sup> Razzle-dazzle: a complex maneuver designed to confuse an opponent.

<sup>11</sup> U.S. Treasury securities held by the Federal Reserve – Federal Reserve Bank of St. Louis.

<sup>12</sup> Interest Bearing Securities – US Department of Treasury

# Balanced Budget Amendment Convention



but also because the Federal Reserve has printed so much currency over the last five years, the value of the U.S. dollar has declined.

As an example, from 2002 to 2011, China and Japan combined loaned Congress an average of \$189 billion per year. However, since October of 2011, they have averaged only \$79 billion per year. They are still loaning us money, but not as much.

Additionally, many believe the structure of the U.S. economy has been radically changed and there is less confidence our nation will have rapid economic growth in the future, which places repayment of the debt in question. For several reasons, the amount of debt held by foreign entities will begin to decline in about five years.

|   |     |
|---|-----|
| <b>Between 2014 and 2020 deficits will be \$7-\$8 trillion. From where <u>will</u> Congress borrow the money?</b> |     |
| Social Security Fund  | 0%  |
| Foreign Entities  | 26% |
| Unknown source  | 74% |

Since the current interest paid on money borrowed by Congress to finance the deficit is unusually low and unattractive to private investors, in the future the main sources of funding for the deficits will have to come from Trust Funds or from the Federal Reserve Bank by printing currency.

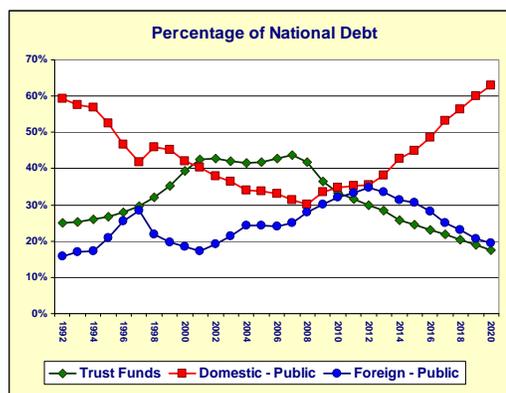
However, the trust funds will not have surpluses in the future and will have to be replenished from general fund revenue.

The following graph shows how trust funds and foreign investment will decline significantly as a funding source for the deficits.

The amount of debt attributed to the trust funds will begin to decline in three years.

To raise private capital, interest rates will have to increase to at least 5% to become attractive for private sector investors.<sup>13</sup>

If that occurs, total interest payments paid by Congress annually will likely grow to more than a trillion dollars, adding another \$600 billion to the national debt each year.



Therefore, the Federal government now has a very difficult problem if it wants to continue deficit spending.

Congress could encourage the Federal Reserve Bank to continue to print currency to fund the Federal government, significantly devaluing our currency and leading to hyperinflation.

Alternatively, Congress could let the marketplace determine interest rates, which will balloon interest payments to be possibly the largest expenditure of the Federal government.

Either scenario could cause a collapse of our national economy and place our system of government in jeopardy.

## What Can We Do About It?

Congress has placed the American people in an unconscionable position of being responsible for a debt it did not have to create.

Never before in the history of this country has one generation left the next generation in such a precarious fiscal situation.

We the people of this country are the victims of the excesses of our government. We will suffer for it.

What can we do to stop it? There are several alternatives.

<sup>13</sup> Congressional Budget Office - January 2014 report.

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We can do nothing. Doing nothing is always an alternative.

We can elect people to office who will stop spending and borrowing. This alternative has not worked for the last 30 years.

We can riot in the streets like so many do in Europe. This is not a good idea.

The best solution is to make it unlawful for Congress to borrow money by way of a Balanced Budget Amendment to the Constitution.

## Balanced Budget Amendment

"To preserve our independence, we must not let our rulers load us with perpetual debt. I wish it were possible to obtain a single amendment to our Constitution ... an additional article, taking from the federal government the power of borrowing,"



Thomas Jefferson.

### Article V – United States Constitution

*The Congress, whenever two thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two thirds of the several States, shall call a Convention for proposing Amendments, which, in either Case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three fourths of the several States, or by Conventions in three fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress; ...*

In order to amend the Constitution, an amendment must first be proposed. After it is proposed, it is either accepted (ratified) or not.

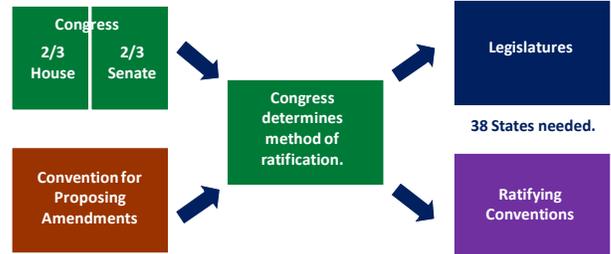
Article V of the Constitution spells out the process. An amendment can be proposed in two ways:

- by a resolution adopted by two-thirds of both houses of Congress which it can do at any time,
- by the states at a convention called for the purpose of proposing an amendment.

## Amendment Process

### Propose Amendment

### Ratify Amendment



The first draft of the Constitution at the Philadelphia Convention provided only the states could amend the Constitution. A subsequent version allowed only Congress to propose amendments. The final version included both, equally.

The key to the debate was the insistence that the states have the ability to both propose and ratify amendments, bypassing Congress. The minutes of the Philadelphia Convention are quite clear on this matter. The delegates demanded a provision, which enabled the states to correct the errors of the Federal government.

After the amendment is proposed, 38 states must agree to the amendment (ratify) in order for it to become part of the Constitution.

Congress will not propose a meaningful Balanced Budget Amendment. It enjoys spending money too much to place substantive restraints upon itself. There have been repeated efforts to get Congress to propose an amendment. It has always refused.

As a result, the state legislatures must convene a **Balanced Budget Amendment Convention**.

## Convention for Proposing Amendments

Referring to an Article V Convention, Alexander Hamilton wrote, "We may safely rely on the disposition of the state legislatures to erect barriers against the encroachments of the national authority."





# Balanced Budget Amendment Convention



Congress has already decided a convention can be called for a single subject. Over the last 150 years, Congress has received more than 500 “applications” from the states to convene a convention under Article V. However, Congress has never received an application from 2/3rds of the states for the same subject.

If a convention could not be limited to one subject, Congress would have been compelled many years ago to convene a convention after receiving applications equivalent to 2/3rds of the states for different subjects. It was not.

The convention contemplated is a “convention of the states.” Virtually every Constitutional scholar agrees, as this was the only “convention” known to the Framers when the Constitution was written.

The Framers of the Constitution were very familiar with a convention of the states. Most of the delegates at the Constitutional Convention had participated in several interstate conventions during the Founding Era, as there were as many as 20 of them.

Congress shall convene the convention.

Upon receiving thirty-four applications for the same subject, Congress “shall” convene a convention. It has no discretion in the matter. As Alexander Hamilton wrote in the Federalist Papers: Congress’ responsibility in this matter is “obligatory.”

Congress’ only authority is to set the time and place for the convention. It cannot interfere in any manner regarding how the convention will function or its representation.

You see, at this point in the process, the role of Congress is “ministerial.” In fact, Congress is actually serving as an agent for the states, a facilitator to enable the convention.

In order for the states and Congress to have “equal” ability to propose amendments, Congress cannot interfere in the convention of the states in any manner; else, the process would no longer be equal.

The main reason the applications are sent to Congress is that the states need a “mailbox,” for lack of a better word.

Legislatures select delegates.

Since the assemblage is a convention of the states, each state legislature will determine the following:

- 1) how many delegates it will send,
- 2) how the delegates will be chosen,
- 3) what specific instructions the state will give to its delegation,
- 4) and the conditions for recalling a delegate for violating the state’s instructions or the rules of the convention.

The specific instructions created by the legislature will control its delegates. Keep in mind, this is a convention of states, not a convention of delegates.

The instructions can be general in nature such as “use your good judgment in writing a balanced budget amendment.”

Alternatively, the instructions can be extremely restrictive such as “you are prevented from voting in favor of any amendment which does not limit the ability of Congress to raise taxes to balance the budget.”

The delegates are the agents of the legislature. Agency law and the conditions of their appointment bind them. They have absolutely no more authority at the convention than what the legislature has given them.

Most importantly, in order to convene the convention, 34 states previously passed resolutions for the single subject of a balanced budget amendment.

The delegates at the convention will be limited by the convention call, plus the instructions from their legislatures, to only considering a balanced budget amendment. They cannot do otherwise.

Interest in convening a Convention for Proposing a Balanced Budget Amendment has grown significantly among the legislatures.

In fact, the legislatures of several states are considering passage of bills, which will determine the number of delegates, how they will be chosen, and what criminal penalty a misbehaving delegate will suffer.

Convention to Propose the Amendment.

How the convention will function is not a mystery. From the minutes of previous conventions of states, the rules and

# Balanced Budget Amendment Convention



procedures can be easily created.

The delegations will write the rules for the convention, voting will be by state, and the convention will deliberate the issue - a balanced budget amendment.

A vast, vast majority of the delegates will understand the great responsibility they have and will take great care in considering the amendment. To construct an amendment, the delegations will have to create language, which

- 1) will prevent Congress from frivolously creating debt,
- 2) will assure there are provisions to finance armed conflicts or national emergencies,
- 3) is easily understood by the people,
- 4) has a penalty for non-compliance, and
- 5) will likely be ratified by 38 states.

It is highly unlikely a multi-page document will be proposed, which attempts to micromanage Congress.

The process of writing rules for a convention for proposing amendments has already begun.

*The Assembly of State Legislatures* has been formed. It first met in Mount Vernon on December 7, 2013. A second and larger meeting was held in Indianapolis in June of 2014 and a third meeting was held at the Naval Heritage Center in Washington, DC on December 8, 2014.

Not affiliated with any current group attempting to secure state applications for a convention, the group is going to create a set of rules, which can be used for the first convention convened.

The activities and progress of *The Assembly of State Legislators* is discussed on the back cover of this booklet.

Congress determines method of ratification.

If an amendment is proposed, Congress will determine the method of ratification either by the legislatures or by state ratifying conventions. Under either method, approval by 38 states is necessary to add the amendment to the Constitution.

## What is the big fuss about a convention?

So, what is the fuss about a holding a convention? Well, there are organized groups which either want to stop any convention from being convened or they still believe the

propaganda manufactured in the 1980's regarding a convention having extraordinary powers which will get out of control and do all sorts of nefarious things.

Let us look at some of the issues, which they constantly raise.

***The Philadelphia Convention ran-a-way, so will this one.***



Opponents suggest the delegates at the Philadelphia Convention of 1787 violated the "convention call" which limited the convention to only amending the Articles of Confederation. Instead of amending, the delegates created a totally new government.

They suggest since George Washington, James Madison, and others were "dishonorable," then the delegates at a balanced budget amendment convention will also disregard the limits of the convention and propose other amendments.

The opponents base their argument on language from a resolution passed by the Confederation Congress in February of 1787, which included these words:

***(The Convention) be held at Philadelphia for the sole and express purpose of revising the Articles of Confederation.***



What they do not provide for you is the entire resolution, which follows:

***Resolved that in the opinion of Congress it is expedient that on the second Monday in May next a Convention of delegates who shall have been appointed by the several states be held at Philadelphia for the sole and express purpose of revising the Articles of Confederation.***

Note the first seven words of the resolution. The Confederation Congress had absolutely no authority over the convention and it knew it. The resolution was only a recommendation for action to be taken by the delegates at the convention which had already been called.

So how did the Constitutional Convention in Philadelphia come about?

The convention was the result of a recommendation of the Annapolis Convention of 1786. That convention had

# Balanced Budget Amendment Convention



been called by the Virginia legislature to discuss “interstate commerce.” You see, that is how the states debated and solved interstate problems during the founding era, they had conventions of the states.

Among those attending were James Madison, John Dickinson, and Alexander Hamilton. At the convention, most expressed extreme frustration with the Articles of Confederation and desired to begin to form a new government.

Nevertheless, they could not do it at Annapolis, as that convention was limited to interstate commerce.

Instead, the convention issued a recommendation to the states to have another convention **“to take into consideration the situation of the United States, to devise such further provisions as shall appear to them necessary to render the constitution of the Federal Government adequate to the exigencies of the Union.”**

The word “constitution” (as it had been used during the era) did not refer to the Articles of Confederation, but to the entire political system at the time.

In November of 1786, the Virginia Assembly passed a resolution to convene a convention for that subject. At that point, a convention was going to be held. The only question was ... how many states would show up.

By February of 1787, seven of the 13 states had passed resolutions to attend the convention to form a new government. That is when the Confederation Congress passed its resolution.

In total, ten states voted to send delegations to form a new government, while New York and Massachusetts both passed resolutions to limit their delegates to only amending the Articles of Confederation.

Of the 55 delegates who attended the Convention, only two signed (Massachusetts delegates) the Constitution against the will of their states. The convention did exactly what it was called to do.

Most importantly, after George Washington gave the close of the Philadelphia Convention, nothing changed.

The convention only proposed the Constitution and had no power to force its adoption. Only after the states

ratified the new Constitution was there a change in our government.

This is the case for an amendments convention. It cannot change anything. It can only propose an amendment.

**James Madison was against an Article V convention, so should we be.**



Almost immediately after the 9<sup>th</sup> state ratified the proposed Constitution, the states of Virginia and New York passed resolutions to convene an open convention under Article V. That was before the first Congress met. The purpose was to propose a “bill of rights.”

James Madison wrote a letter opposing that convention. He believed it was too comprehensive so shortly after the Philadelphia convention and that Congress should be given the opportunity to propose the amendments, which it did.



However, Madison not only helped write Article V, but also in his writings he was fully supportive of a convention convened under Article V for, in his words, “a single object.”

**Delegates will do what they want, cannot be controlled, and will propose all kinds of amendments.**



Opponents suggest the delegates attending such a convention are likely to be scoundrels and will summarily dismiss the limited purpose of the convention and all of the laws, which control it.



The opponents for some reason simply disregard all of the case law and legal restraints, which are placed upon the delegates at such a convention.

Additionally, this is a convention of states, not a convention of delegates. It would take a majority of the delegates from a majority of the states to violate not only their oath of office but also the laws of their states in which many are creating criminal penalties for doing such.

Even if that occurs, any amendment proposed other than a balanced budget amendment will be “ultra vires,” outside the power of the convention, and could not be sent back to the states for ratification by Congress.

# Balanced Budget Amendment Convention



**Congress will set the rules, pick the delegates, and control the convention.**



Since virtually no one trusts Congress, the opponents try to instill fear by suggesting Congress will control this convention.



The opponents ignore the fact this is a convention of the states. In order for the states to have equal opportunity to propose amendments, Congress cannot interfere.

This position is supported by several Federal court cases, which state emphatically that no outside party, including Congress, can interfere with this convention. Period.

Just like the Confederation Congress in 1787 had no authority over the Philadelphia Convention, Congress has no authority over this convention.

**The Convention can change the ratification process.**



Opponents are again trying to instill fear against a convention suggesting that not only will the convention propose any amendment it desires, but somehow has “extra-constitutional” power to summarily amend the constitution at this convention to enable fewer than 3/4ths of the states be able to ratify a proposed amendment.

This is perhaps the most ludicrous idea the opponents suggest.



Article V of the Constitution is very clear that ratification requires 38 states by the legislatures or by ratifying conventions.

In order to change the Constitutional process for ratification, the Constitution would have to be amended.

The convention does not have the power to amend the Constitution, only to propose an amendment.

## *What Has Happened?*

- 1982: BBA proposed by U.S. Senate, 69-31, but fails to pass in “Tip” O’Neill controlled House. President Reagan urges States to use Article V.
- 1992: 32 States had passed a BBA Convention Resolution over the previous 15 years. The effort stalls as labor unions get Ohio and Michigan to vote no.
- 1990’s: Interest in a Balanced Budget Amendment wanes as deficits decline with Graham - Rudman, GOP Congress spending cuts, and unanticipated income from the “dot.com” stock market boom. BBA passes U.S. House but fails in the U.S. Senate, by one vote.
- 1990’s - 2010: Organizations which oppose a BBA Convention took advantage of the absence of advocates for a convention and convinced 16 states to rescind their applications, reducing the number of active applications to 16. - **Count - 16**
- 2010: Effort to convene a BBA Convention is initiated by a handful of volunteers. Through their efforts, Florida passes a two-subject resolution: BBA and restraining Federal mandates. **Count - 17**
- 2011: Alabama passes BBA Convention Resolution. **Count - 18**
- 2012: New Hampshire passes BBA Convention Resolution having rescinded in 2010. **Count - 19**
- 2013: Ohio passes the BBA resolution in December. Ohio had defeated the resolution on three previous occasions. **Count - 20**
- 2014: The Wisconsin House, Arizona House, and South Carolina House pass the BBA resolution, but because of the objection of one Senator in each state, a vote was not taken in the Senate. Florida passes a single subject BBA resolution. Georgia, Michigan, Tennessee, and Louisiana pass the resolution. **Count - 24**
- 2015: As of March 31, 2015, South Dakota, Utah, and North Dakota had passed the resolution. Additionally, the Wyoming House, West Virginia Senate, and Oklahoma House passed the resolution. **Count 27**

### *How Will We Do It?*

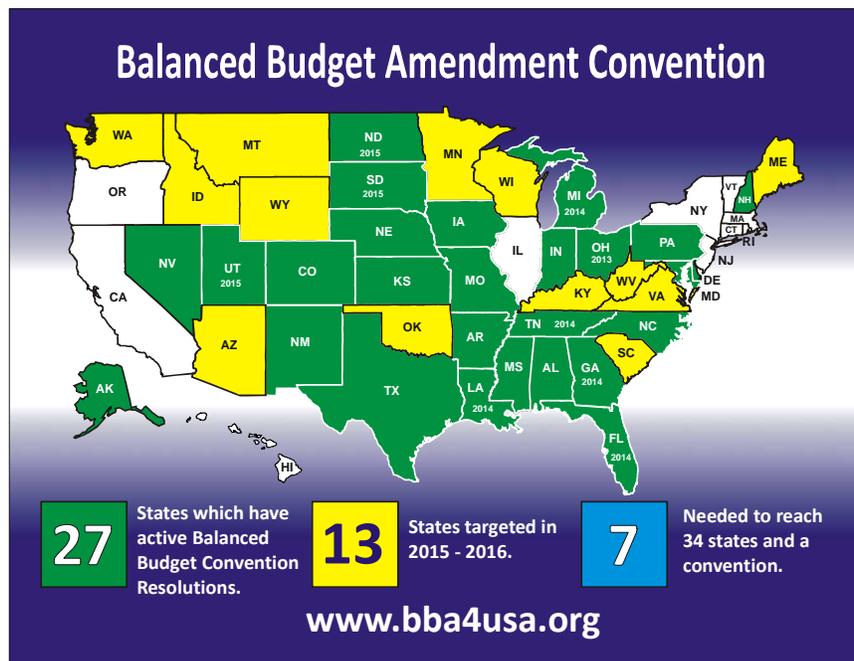
The Balanced Budget Amendment Task Force is a collection of national and state organizations and individuals dedicated to adding a Balanced Budget Amendment to the Constitution of the United States by way of a convention convened under Article V.

The BBA Task Force is coordinating the national effort to convince state legislatures to pass application resolutions for the Convention.

Thirty-four state applications are necessary.

The map shows the 27 states with active resolutions and the states which will be focused upon in 2015 and 2016. The BBA Task Force has legislative sponsors in each of the target states.

If you live in a “target” state, contact your State Representative and State Senator and urge them to vote for the Balanced Budget Amendment Convention Resolution.



For more information, contact the BBA Task Force: [info@bba4usa.org](mailto:info@bba4usa.org).

## **The Assembly of State Legislatures Planning for a Convention for Proposing Amendments**

*In February of 1861 to avert war, the **Washington Peace Conference** convened at the Willard Hotel in Washington, DC. It was a convention of the states to discuss an amendment regarding slavery. The assembly followed the convention rules established during the 18<sup>th</sup> century, which were well known at the time. It is the last time the states assembled to discuss an amendment to the Constitution.*



*On December 7, 2013, a historic meeting was held at George Washington's home, **Mount Vernon**. Legislators from about 30 states met to discuss how to create a process for writing rules for a convention for proposing amendments provided for in Article V of the Constitution for any amendment subject. This is the first time since 1861 legislators gathered to discuss the process of amending the Constitution.*

The Mount Vernon Assembly, now known as **The Assembly of State Legislatures**, met again June, 2014 in Indianapolis at the **Indiana Capitol** and again in December, 2014 at the **Naval Heritage Center** in Washington, DC. Hundreds of currently serving legislators from 33 states have attended. The process of writing the rules for a convention is being completed. **The Assembly of State Legislatures** has determined:



- *That the Assembly is not affiliated with any current movement to apply for a convention for any subject or any political party.*
- *That its efforts moving forward is to draft proposed rules and procedures or any provisions as shall appear to them necessary, being a power not delegated to Congress but reserved to the States, under which an Article V Convention for proposing amendments would function.*
- *That the work product of The Assembly of State Legislatures will serve as recommendations for a Convention for proposing amendments called by Congress, thus allowing the amending convention to focus on drafting language of an amendment(s) instead of the administrative process.*

*Committees met during the summer and fall of 2014.*

*When The Assembly of State Legislatures completes its task of creating rules for a convention, State legislatures will be able to instruct their delegates to a future convention to adopt and adhere to these rules for any subject in the applications. This will provide comfort regarding how a convention will function and let Congress know creating rules is not its responsibility.*

[www.theassemblyofstatelegislatures.org](http://www.theassemblyofstatelegislatures.org)