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How Balanced-Budget Requirements Fall Short.

The rules vary widely from state to state, and they do little to prevent policymakers from pushing costs into the future unsustainably. A couple of states are trying to take a longer-term view.

In 2017, Illinois confronted fiscal problems years in the making. The state had accumulated more than $15 billion in unpaid bills, its pension systems were deeply underfunded and the legislature had been locked in a multiyear budget impasse — all under a constitutional balanced-budget requirement. More recently, Massachusetts, like a number of states, was forced to make midyear adjustments when revenues fell short.

These examples are often framed as failures of compliance. They are not. They are examples of something more fundamental: the limits of what balanced-budget rules measure. Every state but Vermont has some form of balanced-budget requirement. Yet the rules vary widely. Some require governors to propose balanced budgets. Others prohibit legislatures from passing unbalanced ones. Some require midyear corrections. A few prohibit deficits from carrying forward.

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