



Executive Summary:
Budget Enforcement Mechanisms
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Research suggests that a solution to Illinois' current fiscal crisis will require a "grand plan" with multiple revenue increases, multiple spending cuts, and multiple years of adjustment. Extraordinary budgeting mechanisms may be required to achieve political consensus on and implement such a plan. This article provides an overview of some public budget enforcement mechanisms designed to facilitate long-term fiscal stability in the U.S and around the world.

Our review finds that a large number of budget enforcement mechanisms designed to encourage fiscal discipline and long-term budget sustainability have been used by governments world-wide. Mechanisms include: procedural rules designed to make budget imbalances transparent; numerical triggers designed to make automatic adjustments in spending and revenue should budget gaps appear; and explicit constraints on revenues or spending designed to shrink the size of government. Rigorous investigations of the mechanisms used to date find that such mechanisms often have limited or no impact on long-term budget sustainability. Other mechanisms such as independent fiscal authorities and strict bond covenants that would be triggered by budget gaps have been discussed but thus far not implemented. Ultimately, experience suggests that budget enforcement mechanisms are most successful when they have on-going political support.

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