

Reform of article 135 of the Spanish Constitution, September 27, 2011

Explanatory statement

More than thirty years after the coming into effect of the Constitution, Spain is currently a Member of the European Economic and Monetary Union which consolidates and develops its competences in the framework of increasing common governance. Furthermore, the consequences of the economic and financial globalization are becoming more and more obvious. In this context, budgetary stability is considered a truly structural value and a determinant of the State's performance, as well, as of the maintenance and development of the Social State that is established in section 1.1 of the Fundamental Law and, in short, of the current and future prosperity for citizens. Its significance, therefore, justifies its constitutional recognition with the aim of limiting and guiding, by means of the highest normative rank, the performance of the public powers.

To reach this standing, the safeguard of budgetary stability was an essential tool in order to achieve fiscal consolidation which allowed us to join the European and Monetary Community and was, subsequently, included in rules of legislative status.

Likewise, the Stability and Growth Pact aims to prevent excessive budget deficit in the Euro Zone and, thereby, boost confidence in the economic stability and provide sustainable and lasting convergence of the Member States' economies.

The current economic and financial situation, marked by a deep and long crisis, has contributed to reinforce the need to include this principle in our Constitution, with the aim of strengthening confidence in the stability of the Spanish economy in the medium and long term.

The present amendment to section 135 of the Spanish Constitution pursues, thus, the enforcement of the principle of budgetary stability, binding all Public Administrations, the reinforcement of the Spanish commitment with the European Union and, at the same time, the achievement of the economic and social sustainability.

Single section.

The section 135 of the Spanish Constitution is laid down as follows:

«1. All public administrations will conform to the principle of budgetary stability.

2. The State and the Self-governing Communities may not incur a structural deficit that exceeds the limits established by the European Union for their member states.

An Organic Act shall determine the maximum structural deficit the state and the Self-governing Communities may have, in relation to its gross domestic product. Local authorities must submit a balanced budget.

3. The State and the Self-governing Communities must be authorized by Act in order to issue Public Debt bonds or to contract loans.

Loans to meet payment on the interest and capital of the State's Public Debt shall always be deemed to be included in budget expenditure and their payment shall have absolute priority. These appropriations may not be subject to amendment or modification as long as they conform to the terms of issue.

The volume of public debt of all the public administrations in relation to the State's gross domestic product may not exceed the benchmark laid down by the Treaty on the Functioning of the European Union.

4. The limits of the structural deficit and public debt volume may be exceeded only in case of natural disasters, economic recession or extraordinary emergency situations that are beyond the control of the State and significantly impair either the financial situation or the economic or social sustainability of the State, as appreciated by an absolute majority of the members of the Congress of Deputies.

5. An Organic Act shall develop the principles referred to in this article, as well as participation in the respective procedures of the organs of institutional coordination between government fiscal policy and financial support. In any case, the Organic Act shall address:

a) The distribution of the limits of deficit and debt among the different public administrations, the exceptional circumstances to overcome them and the manner and time in which to correct the deviations on each other.

b) The methodology and procedure for calculating the structural deficit.

c) The responsibility of each public administration in case of breach of budgetary stability objectives.

6. The Self-governing Communities, in accordance with their respective laws and within the limits referred to in this article, shall take the appropriate procedures for effective implementation of the principle of stability in their rules and budgetary decisions. »

Single additional provision.

1. The Organic Act, as provided for in Section 135 of the Spanish Constitution, must be approved before June 30, 2012.

2. Such Act shall provide mechanisms for compliance with the debt limit referred to in Section 135.3.

3. Structural deficit limits set forth in Section 135.2 of the Spanish Constitution shall come into force in 2020.

Single final provision.

The present reform of the Section 135 of the Spanish Constitution shall come into force on the day of publication of its official text in the «Official State Gazette» (*Boletín Oficial del Estado*). It shall also be published in the other languages of Spain.

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