Alaska State Legislature

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Sponsor Statement for SJR 4 / SB 36

SJR 4 and SB 36 work together to create a constitutional and statutory framework for how we limit appropriations. A spending limit was one of the elements agreed upon by Comprehensive Fiscal Plan Working Group as a necessary component of a comprehensive fiscal plan.

Alaska has been operating without an effective appropriation limit for nearly 40 years, resulting in less-than-meaningful control of our state spending. The current limit was enacted in 1982 when Alaska was approaching peak oil production. The timing of this cap's passage, plus its population and inflation adjustment mechanism, have made the cap so high that it no longer plays any role in capping our appropriations or spending.

Successful appropriation limits have boundaries that meet the needs of the unique way that government operates; the right mix of rigidity where it counts and flexibility when and where it's needed. Alaska's inflation rate often varies significantly from national inflation numbers, our tax structure is unique, and our spending per capita is wildly different than other states. If Alaska bases our cap on any of these factors, we risk failure because that formula does not meet our unique needs.

SJR 4/SB 36 proposes a new, functional cap which bases its formula on a five-year trailing average of our private sector economic performance; specifically, Real GDP minus government spending, which measures the value produced within our borders.

By tying the state's spending limit to the success of our state's private economy, the government is incentivized to support policy that will enable the growth of our private sector economy if there is a desire to spend more on state services. The five-year trailing averaging of GDP will moderate the effects of our economy's volatility, leading to stability that prevents the worst consequences of drastic cuts and binge spending. SB 36 would set a statutory spending cap at the most recently approved budget levels at the time of drafting and SJR 4 would set a constitutional upper limit that gives the state flexibility to respond to capital and unforeseen operational needs.

Our Permanent Fund is a tremendous asset, but it creates the risk of Alaska becoming a "financialized" economy. Instead of maintaining commitment to build, add value, and produce, we risk becoming Alaskans who wait and passively watch the market hoping for the best. A spending limit tethered to GDP creates a constructive link between state government and our private sector ensuring that government does not grow past the private sector that it is meant to support.

Alaska needs a strong link between government and our productive economy before it's too late. We have an opportunity to solve our biggest structural issues and deliver a better future for all Alaskan's centered around our people's productive efforts.

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