

State of Alaska  
State of Arizona  
State of Georgia  
State of Mississippi  
State of North Dakota

**The Compact Commission**  
**Compact for a Balanced Budget**  
c/o Compact for America Educational Foundation, Inc.  
2323 Clear Lake City Boulevard, Suite 189-190  
Houston, Texas 77062



March 23, 2021

Testimony of Mead Treadwell, [mead@treadwellalaska.com](mailto:mead@treadwellalaska.com), (907) 223-8128  
Chairman, Compact for a Balanced Budget  
Appointed Alaska Commissioner to the Compact for a Balanced Budget  
Lt. Governor of Alaska, 2010-2014

- Thank you for the opportunity to testify.
- I am testifying in support of renewing Alaska's participation in the Compact for a Balanced Budget as a citizen of the State, as the State's appointed Compact Commissioner, and as Chair of the Commission.
- On behalf of the Compact members, I want to say that Alaska's participation, as the second state to join the Compact in 2014, has helped bring other states in. We joined Georgia, added Mississippi, North Dakota and Arizona. Mississippi's Governor signed their renewal legislation last week, and North Dakota is getting close. North Carolina is considering joining us this year as well.
- Alaska has stated its interest in balanced budget amendments three ways: as a general resolution, as a supporter of the Convention of States, and by joining this Compact. We do not see these efforts in conflict – any way we can get Congress to put forward a balanced budget, or at least force a national conversation on appropriate limits to national spending and debt, is important.
- We have done the best we can to work with the Congress to raise this conversation. No votes have been held on calling a convention, or sending a Congressionally-drafted amendment to the States, but our participation in a Compact has given Alaska a continuing voice to push the question.
- We have pushed the question several ways. Friendly members of the Congress have given us forums in their Committee rooms. We have empaneled experts on the debt. We have reached, in a bi-partisan manner, to Governors and State Treasurers. We have helped create the Debt Default Clock and have fostered work on an insurance mechanism, debt default swaps, to get a market assessment of the threat of federal default.
- Where we've failed is to actually stem the growth of federal spending and debt. But what we've learned is that states like ours, as dependent as we are on federal spending, would be hurt several ways in the case of a federal default:
  - First, federal help for programs and projects in our state would go away.
  - Second, federal treasury holdings by our treasury and the Permanent Fund, and our pension funds, would lose considerable value.
  - Third, the cost of debt, and the cost of living for every Alaskan would likely grow.
- Alaska has been very conservative in its borrowing even as it faces revenue shortfalls. The federal government has not.
- Our state's participation in this Compact has cost us volunteer time, but no state funds.
- I urge Alaska to renew this Compact participation.
- I would like to yield the floor to two other members of our panel, Harold "Chip" DeMoss of Texas and Dr. Sven Larson of Wyoming for their comments, and then we can answer your questions.
- Thank you.

Background paper: Should we extend the Interstate Compact for a Balanced Budget?

### Is a Balanced Budget Possible?

- Politically, I do not know. But I do know, as a borrower myself, you can't expand debt faster than income to service that debt without giving yourself problems. Our effort seeks to avoid US default.
- We may or may not have the best solution. What we do have is the only official mechanism, ongoing and official, to help force a national dialogue on spending and debt.
- In our state, we live in budget constraints which help us set priorities. The federal government seems to have suspended the laws of gravity when it comes to spending, so long as it has a printing press and a monetary policy to keep the costs of borrowing down.
- Whatever the answer to this question, it is essential that we push for limits on spending and debt.

### Why should Alaska renew its membership?

- Our Compact is working to force a discussion on spending and debt.
- Mississippi has just renewed; legislation is pending in North Dakota and North Carolina; Arizona signed up for a longer term when it joined the Compact.
- A solvent federal government is important to all states; higher interest rates affect us all for infrastructure financing and returns to our Treasuries which park funds in federal debt; a default would dramatically affect our ability to keep our commitments to our citizens.

### The Compact is an effective voice for States.

- On a very limited budget, the Compact Commission has met formally each year since its founding, and informally by weekly conference call approximately 45 times each year. We have sponsored the Debt Default Clock, guided by a group of experts in fiscal and finance matters, showing the US risk of default with continued borrowing. We have hosted meetings on Capitol Hill, and testified before legislative committees of many states, engaged with State Treasurers, and other leaders.
- **The Compact Commission is the only interstate body officially authorized to represent the member states before the President, the Executive Branch, and Congress on these matters.**