

May 2, 2023

HJR2

GDP – Based Spending Cap

REPRESENTATIVE WILL STAPP

DISTRICT 32 – E. FAIRBANKS, FT. WAINWRIGHT, BADGER RD.

Current Constitutional Limit

- Established in Art IX, §16
 - Effective starting 1982
 - Appropriation Limit is set as follows:
 - “Appropriations from the treasury made **for** a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981.”
 - At Least 1/3 is reserved for Capital Projects & Loans
 - Voter approved Capital projects are allowed to exceed the limit.

What does HJR 2 do?

- Uses a different metric of calculating appropriations limit by using the trailing average of the 5 previous calendar years of Real Gross Domestic Product (GDP)
 - Calculating Real GDP
 - Takes data for standard GDP calculations by government agencies, subtracts government spending, and adjust for inflation.
- 13% of the total average is the limit for all appropriations not listed as exceptions.
 - If established before FY24, that would equal approximately \$5.8 billion.
- Would effectively set limit near current spending levels to allow for stable and predictable budgeting.

Appropriations Subject to Limit

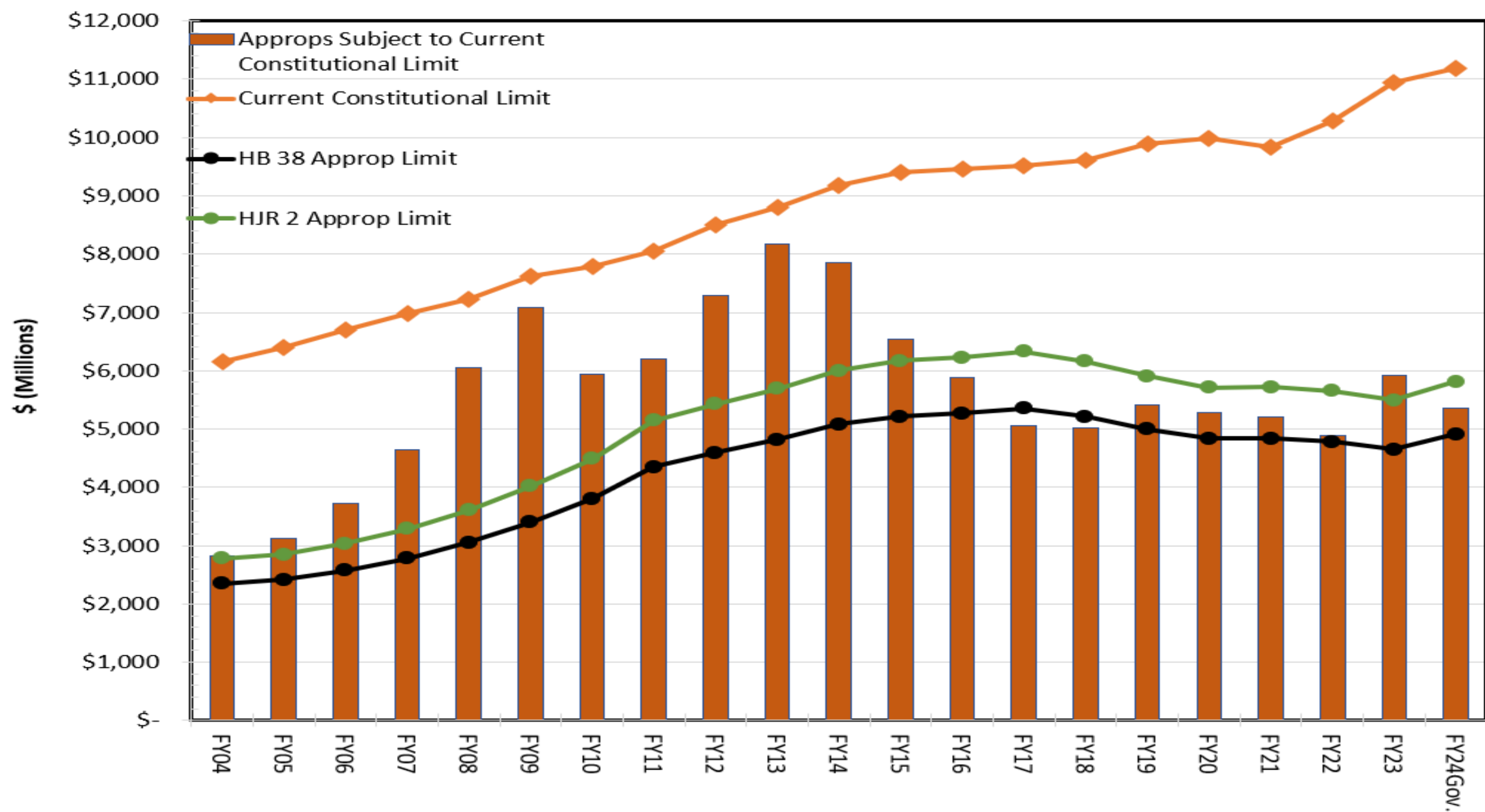
Subject to Limit	Not Subject to Limit
Unrestricted General Funds (UGF) Operating Expenditures	Permanent Funds Dividends
UGF Capital Expenditures (some exceptions)	Appropriations to Permanent Fund/PCE Endowment
Payments for Retirement benefits	Appropriations to a State Savings Account (ex. CBR, MHTF*)
	Appropriations to capitalize state retirement accounts
	Direct spending from a Disaster Declaration
	Proceeds of bonds that are approved by voters

* CBR – Constitutional Budget Reserve
MHTF - Mental Health Trust Fund (AS 37.14.031)

Calendar Year	Alaska GDP	Alaska Government GDP	GDP less Government	Anchorage CPI								Real Five-year Average, Trailing	HB 38 Approp Limit	HJR 2 Approp Limit
													11.0%	13.0%
1993	couldn't find data prior to 1997					#DIV/0!								
1994						#DIV/0!	#DIV/0!							
1995						#DIV/0!	#DIV/0!	#DIV/0!						
1996						#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!					
1997	25,810.8	5,157.5	20,653.3	144.8	FY00	22,136.7	21,523.4	21,166.8	20,952.8	20,653.3	#DIV/0!	#DIV/0!		
1998	24,227.5	5,247.9	18,979.6	146.9	FY01	20,439.6	20,052.0	19,496.4	19,173.4	18,979.6	#DIV/0!	#DIV/0!		
1999	24,744.3	5,383.5	19,360.8	148.4	FY02	21,200.3	20,639.3	20,248.0	19,687.0	19,360.8	#DIV/0!	#DIV/0!		
2000	26,806.6	5,606.7	21,199.9	150.9	FY03	23,419.6	22,829.6	22,225.5	21,804.0	21,199.9	#DIV/0!	#DIV/0!		
2001	28,494.1	5,921.4	22,572.7	155.2	FY04	24,987.0	24,245.3	23,634.4	23,009.0	22,572.7	21,362.7	2,349.9	2,777.1	
2002	29,756.8	6,403.1	23,353.7	158.2	FY05	26,173.3	25,361.4	24,608.5	23,988.5	23,353.7	21,933.4	2,412.7	2,851.3	
2003	32,037.9	6,817.8	25,220.1	162.5	FY06	28,128.1	27,517.1	26,663.5	25,871.9	25,220.1	23,374.6	2,571.2	3,038.7	
2004	35,302.4	7,118.2	28,184.2	166.7	FY07	32,038.5	30,642.0	29,976.4	29,046.5	28,184.2	25,265.9	2,779.3	3,284.6	
2005	40,356.6	7,548.4	32,808.2	171.8	FY08	36,616.9	36,187.8	34,610.4	33,858.5	32,808.2	27,773.3	3,055.1	3,610.5	
2006	45,094.1	7,914.8	37,179.3	177.3	FY09	40,921.1	40,208.2	39,737.0	38,004.9	37,179.3	30,940.9	3,403.5	4,022.3	
2007	49,583.7	8,232.0	41,351.7	181.2	FY10	45,958.3	44,524.8	43,749.0	43,236.3	41,351.7	34,547.4	3,800.2	4,491.2	
2008	55,122.5	8,557.8	46,564.7	189.5	FY11	50,599.3	49,496.2	47,952.3	47,116.9	46,564.7	39,552.9	4,350.8	5,141.9	
2009	49,957.8	9,046.8	40,911.0	191.7	FY12	45,314.2	43,934.8	42,977.0	41,636.4	40,911.0	41,720.4	4,589.2	5,423.6	
2010	53,331.6	9,326.1	44,005.5	195.1	FY13	48,663.5	47,892.5	46,434.6	45,422.3	44,005.5	43,808.0	4,818.9	5,695.0	
2011	56,896.3	9,835.1	47,061.2	201.4	FY14	50,676.3	50,419.3	49,620.5	48,110.0	47,061.2	46,183.0	5,080.1	6,003.8	
2012	58,283.6	10,244.1	48,039.5	205.9	FY15	50,819.0	50,602.0	50,345.4	49,547.8	48,039.5	47,423.6	5,216.6	6,165.1	
2013	57,247.7	10,088.6	47,159.1	212.4	FY16	48,600.6	48,369.0	48,162.5	47,918.3	47,159.1	47,906.8	5,269.7	6,227.9	
2014	56,484.9	10,339.5	46,145.4	215.8	FY17	48,219.6	46,802.5	46,579.5	46,380.6	46,145.4	48,698.4	5,356.8	6,330.8	
2015	51,490.9	10,358.4	41,132.5	216.9	FY18	43,365.7	42,763.4	41,506.7	41,308.9	41,132.5	47,390.8	5,213.0	6,160.8	
2016	50,727.7	10,606.3	40,121.4	217.8	FY19	41,654.4	42,119.1	41,534.1	40,313.5	40,121.4	45,439.6	4,998.4	5,907.1	
2017	53,301.5	10,811.7	42,489.8	218.9	FY20	46,047.6	43,903.1	44,392.9	43,776.3	42,489.8	43,942.6	4,833.7	5,712.5	
2018	54,899.6	11,353.8	43,545.8	225.5	FY21		45,805.2	43,671.9	44,159.1	43,545.8	43,967.8	4,836.5	5,715.8	
2019	54,728.2	11,337.1	43,391.1	228.7	FY22			45,008.5	42,912.4	43,391.1	43,485.6	4,783.4	5,653.1	
2020	50,475.2	11,334.5	39,140.7	226.2	FY23				41,052.6	39,140.7	42,256.5	4,648.2	5,493.3	
2021	57,349.4	11,842.5	45,506.9	237.2	Y24GovAmd					45,506.9	44,684.2	4,915.3	5,808.9	

Note:

Key difference in this modeling is the one word of appropriations "FOR" a fiscal year vs. appropriations "IN" a fiscal year.



One Primary Goal

Create an effective appropriations limit to allow the state more stable long-term fiscal viability.



HB 38

GDP – Based Spending Cap

REPRESENTATIVE WILL STAPP

DISTRICT 32 – E. FAIRBANKS, FT. WAINWRIGHT, BADGER RD.

Current Statutory Limit

- Currently set under AS 37.05.540(b)
 - Enacted in 1986
 - Mostly aligns with Appropriations Limit under Article IX of the Alaska State Constitution
 - “Appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year.”
 - Change in population is based on an annual estimate by the Department of Labor & Workforce Development.
 - Change in inflation is based on Consumer Price Index (CPI) Anchorage as prepared by the US Bureau of Labor Statistics

What does HB 38 do?

- Aligns with the constitutional proposal in HJR 2 and uses the trailing average of the 5 previous calendar years of Real Gross Domestic Product (GDP) for the State as the metric for the limit.
- Calculating Real GDP
 - Takes data for standard GDP calculations by government agencies, subtracts government spending, and adjust for inflation.
- 11% of the total average is the limit for all appropriations not listed as exceptions.
 - If enacted by FY24, that would equal approximately \$4.9 B.

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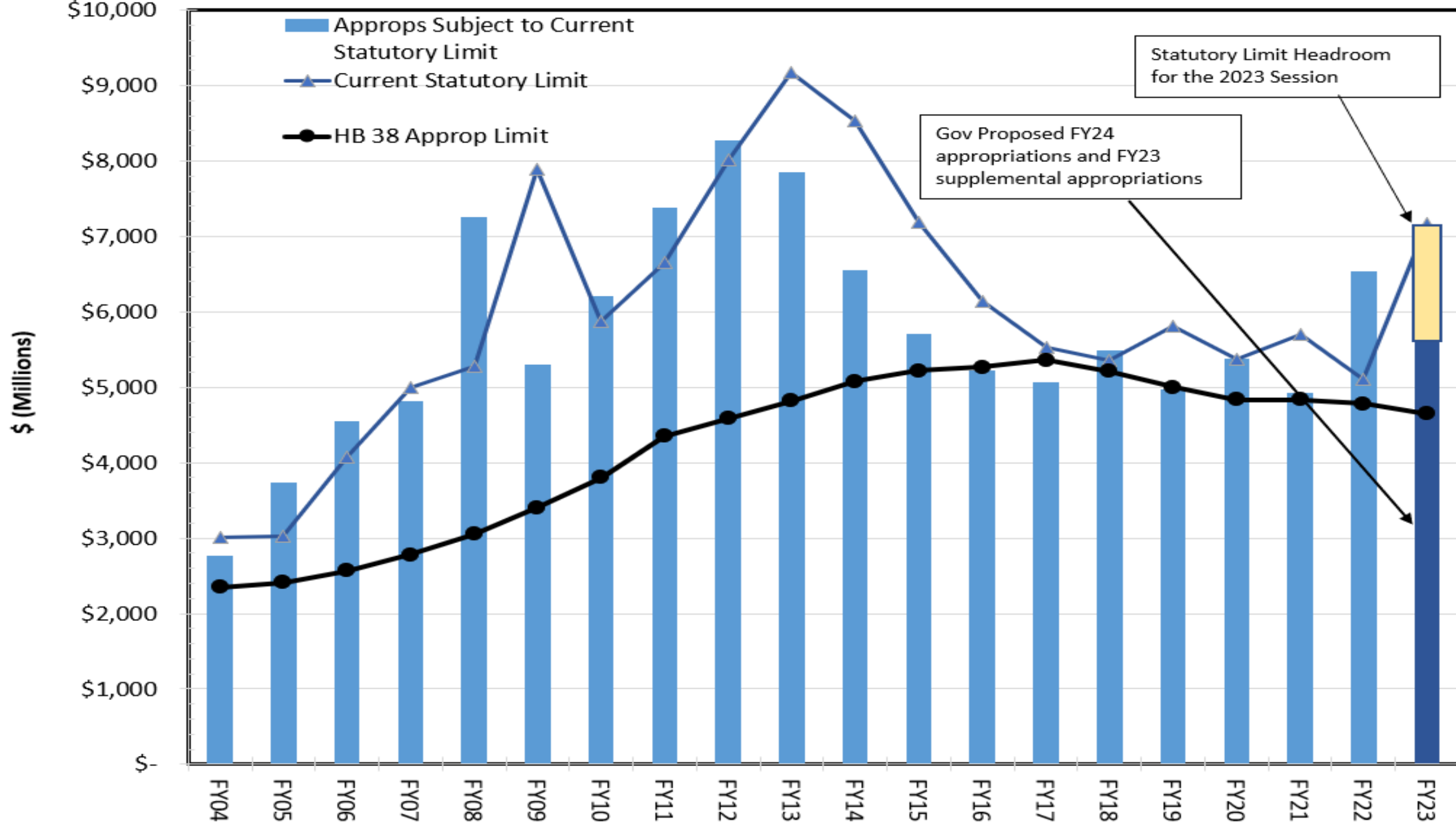
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	Appropriations to capitalize state retirement accounts
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	Appropriations made from Mental Health Trust Settlement Income Account (AS 37.14.036)

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MHTF - Mental Health Trust Fund (AS 37.14.031)

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Two Primary Goals

1. Create an effective appropriations limit to allow the state more stable long-term fiscal viability.
2. Align Alaska Statute with Constitutional proposal.

