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
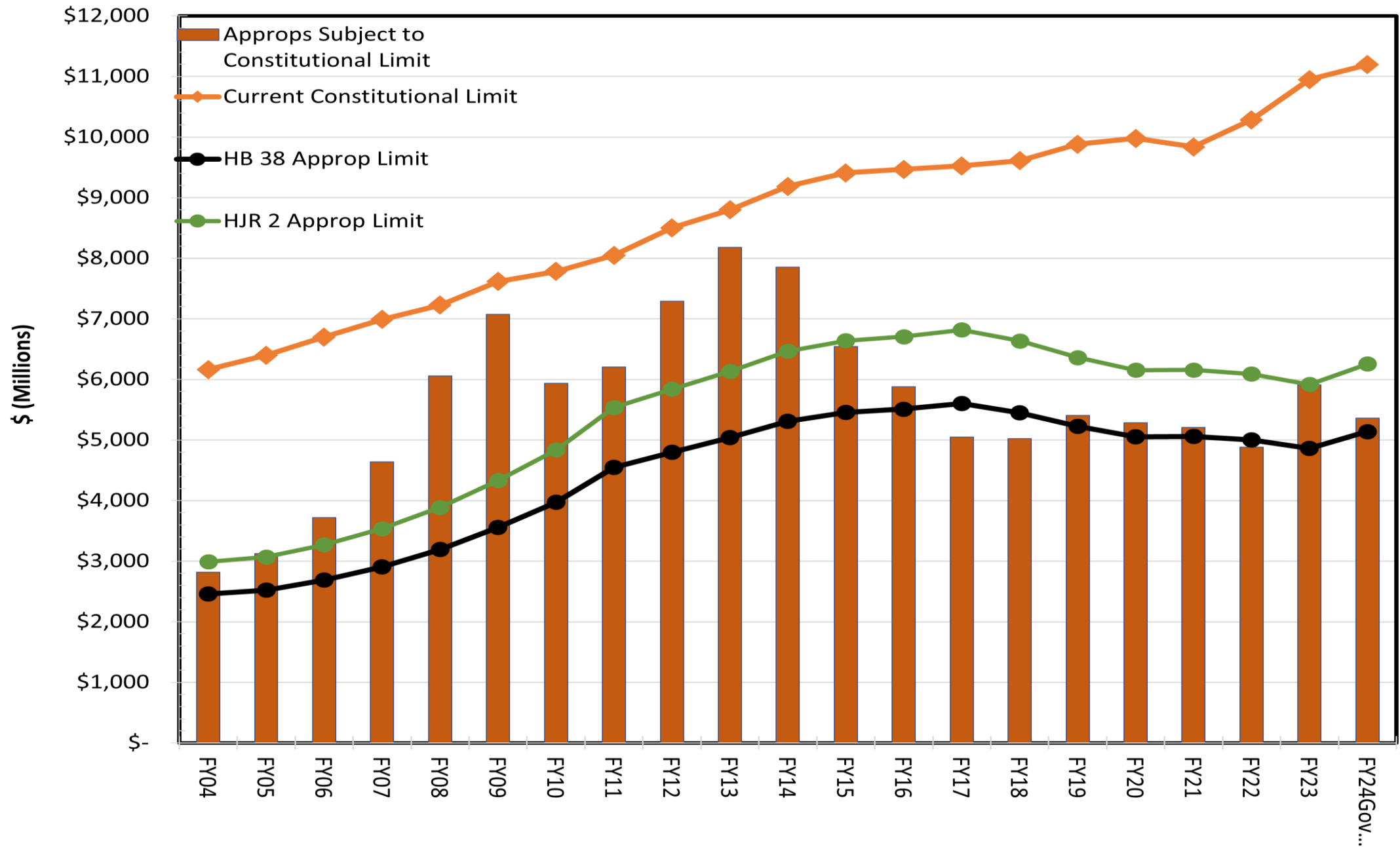   - Voter approved Capital projects are allowed to exceed the limit.

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.

- 14% of the total average is the limit for all appropriations not listed as exceptions.
  - If established before FY24, that would equal approximately $6.25 billion.

- Would effectively set limit near current spending levels to allow for stable and predictable budgeting.
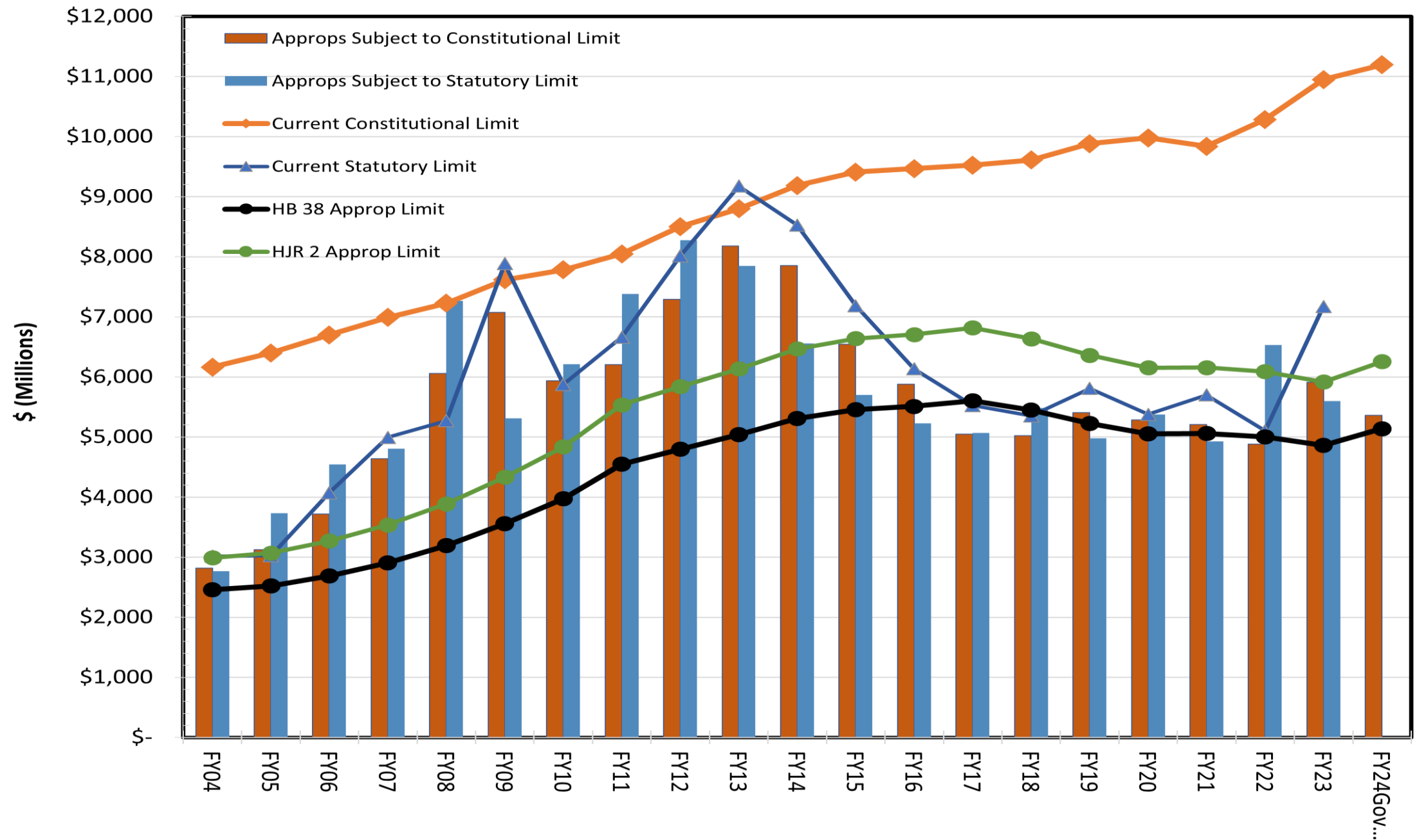
Appropriations Subject to Limit

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)

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 prepares by the US Bureau of Labor Statistics
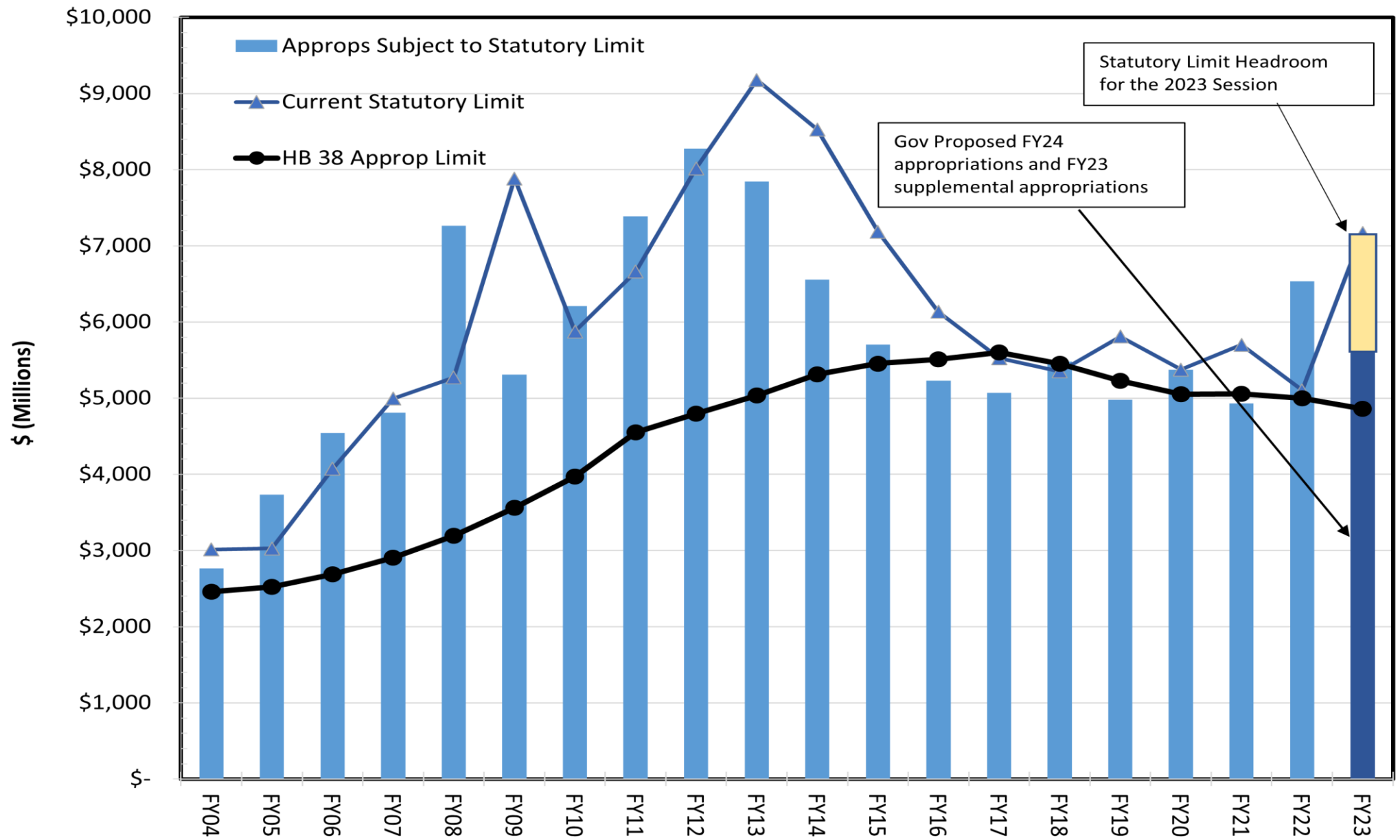
What does HB 38 do?

- 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.

- 11.5% of the total average is the limit for all appropriations not listed as exceptions.
  - If enacted by FY24, that would equal approximately $5.1 B.

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
	Appropriations made from Mental Health Trust Settlement Income Account (AS 37.14.036)

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

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.