

ALASKA STATE LEGISLATURE

Interim – May-December:
1292 Sadler Way Rm.
Fairbanks, AK 99701



Session – January-April:
State Capitol
Juneau, AK 99801
907-465-3004

Representative Will Stapp

House District 32 – East Fairbanks/Fort Wainwright/Badger Road

Sponsor Statement for HJR 1

One of the most effective ways to ensure a stable economy is to apply common sense solutions to complex problems. An effective appropriation limit is the first of many commonsense solutions that is both uncontroversial and bipartisan.

This is not a new revelation. The State of Alaska had already identified the potential for overspending and imposed appropriation limits in 1982. However, that decision was tied to the economy of the time. An economy that was approaching peak oil production which allowed for a reasonable limit that was adjusted for population and inflation. The modern budget of Alaska has been operating without an effective appropriation limit for nearly 40 years, resulting in less than meaningful control of our state spending. HJR 1 create a constitutional framework for how we limit appropriations that better accounts for current levels of spending.

Article IX, Section 16 of the Alaska State Constitution is the current constitutional appropriations limit which states that appropriations shall not exceed \$2,500,000,000 by more than the cumulative change in population and inflation since July 1, 1981. Modeling shows that this constitutional appropriations limit is outlandishly larger than annual revenues and has thus represented an ineffective cap on spending.

The functional cap that is being proposed uses a factor based upon 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. The five-year averaging will moderate the effects of volatility, leading to stability. This proposal would set a spending cap slightly higher than current levels which allows for flexibility in the case of unforeseen risks.

Spending limit reform is one of very few subject matters in which the 32nd Legislature's Comprehensive Fiscal Plan Working Group unanimously agreed to be necessary in 2021. This legislation seeks to follow the recommendations of the working group by proposing a structured and flexible appropriations limitation to ensure a prosperous future for Alaska.

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