

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 HB 51

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 are both uncontroversial and bipartisan.

This is not a new revelation. The State of Alaska had already identified the potential for overspending and imposed a constitutional appropriation limit in 1982, and a statutory limit in 1986. 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. HB 51 aims to create a statutory framework for how we limit appropriations.

AS 37.05.540(b) is the current statutory appropriations limit which is based off appropriations from the treasury made in a fiscal year and not exceeding appropriations made by more than 5 percent plus a change in population and inflation since the beginning of the preceding fiscal year. Modeling shows that this statutory appropriations limit has been broken in past legislatures which could be attributed to the volatile nature of the current statute.

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 roughly at current levels and would allow flexibility in the case of unforeseen risks. A spending limit tethered to GDP creates a constructive link to our private sector and ensures that government does not outgrow the private sector.

Spending limit reform is one of the 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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