

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

Sponsor Statement for HJR 2 / HB 38 - Bill Version A

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 common sense 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. HB 38 and its companion resolution HJR 2 work together to create a constitutional and statutory framework for how we limit appropriations.

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 less 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 include a constitutional provision allowing flexibility in the case of unforeseen risks.

Our Permanent Fund is a tremendous asset, but it creates a risk that Alaska will be destined to become a “financialized” economy. Instead of maintaining our status as Alaskans that build, add value, and produce, we could become Alaskans that wait and passively watch the market while hoping for the best. A financialized government that is funded increasingly by some portion of the permanent fund will grow to have little to no interest in the private sector. A spending limit tethered to GDP creates a constructive link to our private sector and ensures that government does not outgrow the private sector that it is meant to support.

Spending limit reform is one of very few subject matters in which the Comprehensive Fiscal Plan Working Group unanimously agreed to be necessary. 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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