

GDP Based Spending Cap

A functional appropriation limit linking government spending to Alaska's private-sector, productive economy

Proposed structure

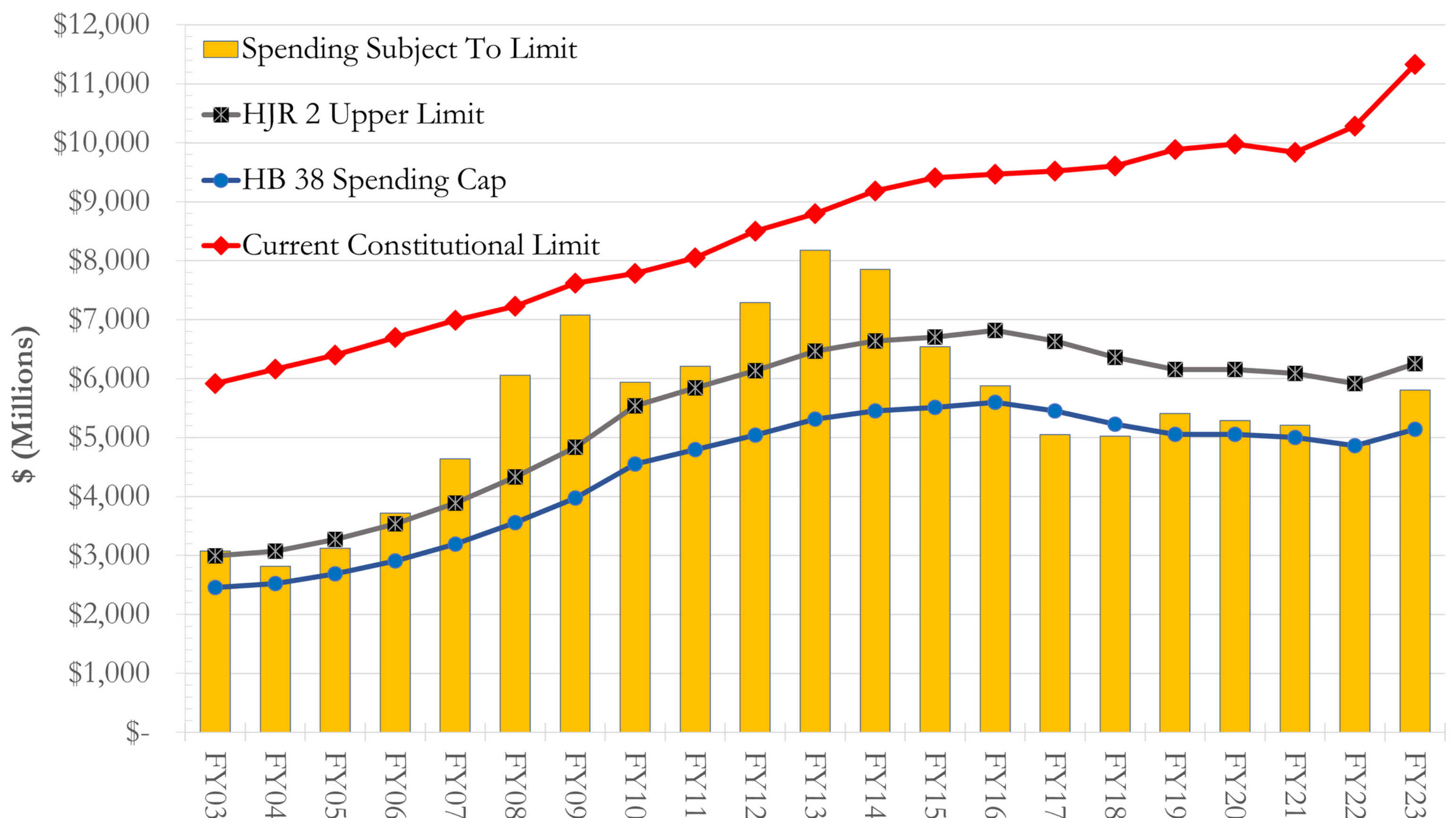
- Based upon a 5-year average of State GDP less government spending
- Stability is improved by averaging these values over the previous full five fiscal years
- Constitutional limit set at 14% of GDP less government spending and Statutory limit at 11.5%

Limited by this proposal

- All UGF Operating Expenditures
- All UGF Capital Expenditures
- Some Designated General Fund Items
- Most Statewide Items

Not-Limited

- Permanent Fund Dividends
- Appropriations to Permanent Fund/PCE
- Appropriations to a savings account (CBR)
- Direct spending on a disaster declaration
- Federal Money Appropriations
- Proceeds of Bonds



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Why this Cap?

- Effective and Reasonable
 - This proposal would set the cap roughly at current levels and would include a constitutional provision for some flexibility in the case of unforeseen risks or capital spending in the case of a strong savings account or revenue streams
 - Stable and Predictable
 - The 5-year trailing average creates stability, smooths out overspending when revenues are up, allows government spending to fall much slower than GDP during poor years, and the limit is known before the budget process begins
 - Private-Sector Focused
 - Focuses on Alaska's private sector economy
 - Brings economic performance to the forefront during the budget process
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Visit our website to read more about the spending cap, why this is important, and how the spending cap works!