

# GDP-Based Spending Cap

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

## How **Senator Kaufman's** proposal works:

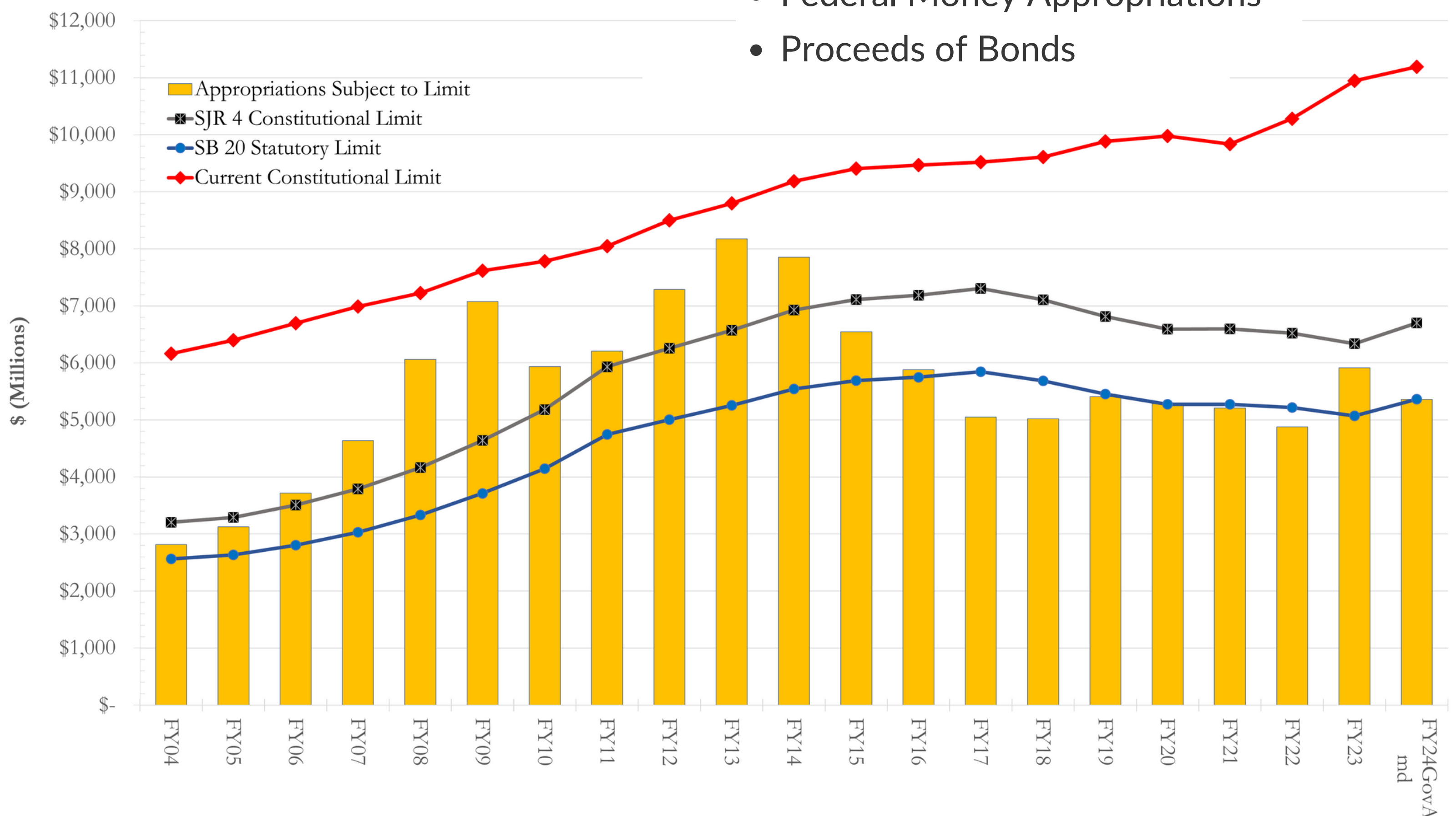
- Sets a Constitutional spending limit at 15% and a Statutory limit at 12% of Alaska's GDP, minus government spending.
- The Limit is calculated based on a 5-year average of state GDP (less gov spending), smoothing and stabilizing any sharp changes in GDP.
- The Statutory spending limit can be exceeded (up to Constitutional limit) with a 2/3rds majority vote of the House and Senate for capital spending.

## 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
- 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 statutory cap roughly at current budget levels. The constitutional limit provides flexibility to increase capital spending and meet future unforeseen needs.
- Stable and Predictable
  - The 5-year trailing average creates stability and predictability in our budgeting process. In boom years, extra revenues are pushed forward, preventing the need for drastic cuts in bust years. The limit is known at the beginning of the budget cycle, eliminating the need for and risks of revenue forecasting.
- Private-Sector Focused
  - Puts a focus on Alaska's private sector economy.
  - Makes improving Alaska's economic performance a government priority during each budget cycle.

In the Senate: **SJR 4** (Constitutional Limit) & **SB 20** (Statutory Limit)

In the House: **HJR 2** (Constitutional Limit) & **HB 38** (Statutory Limit)

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Visit [www.SenatorKaufman.com](http://www.SenatorKaufman.com) to read more about the spending cap, how it works, and why it is a critical component of Alaska's fiscal plan

Email: [Sen.James.Kaufman@akleg.gov](mailto:Sen.James.Kaufman@akleg.gov)

Phone: 907-465-4949