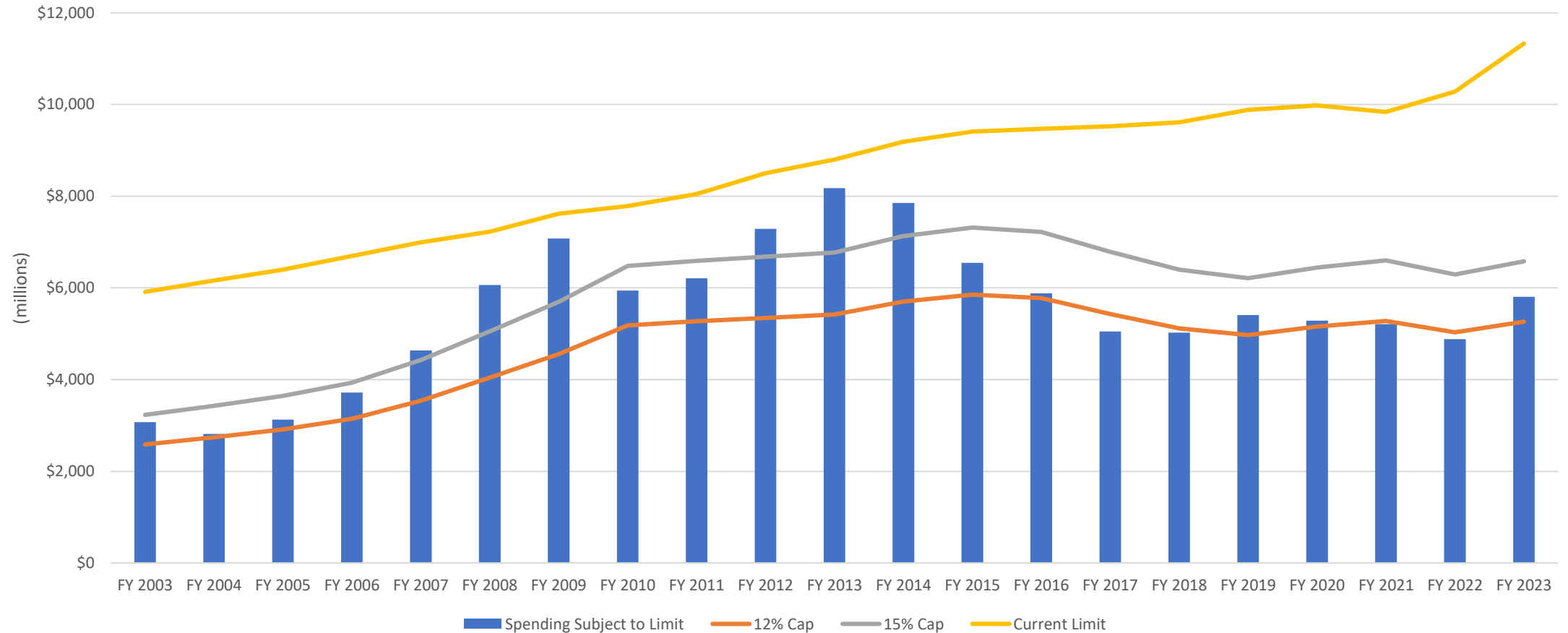


GDP-based spending caps

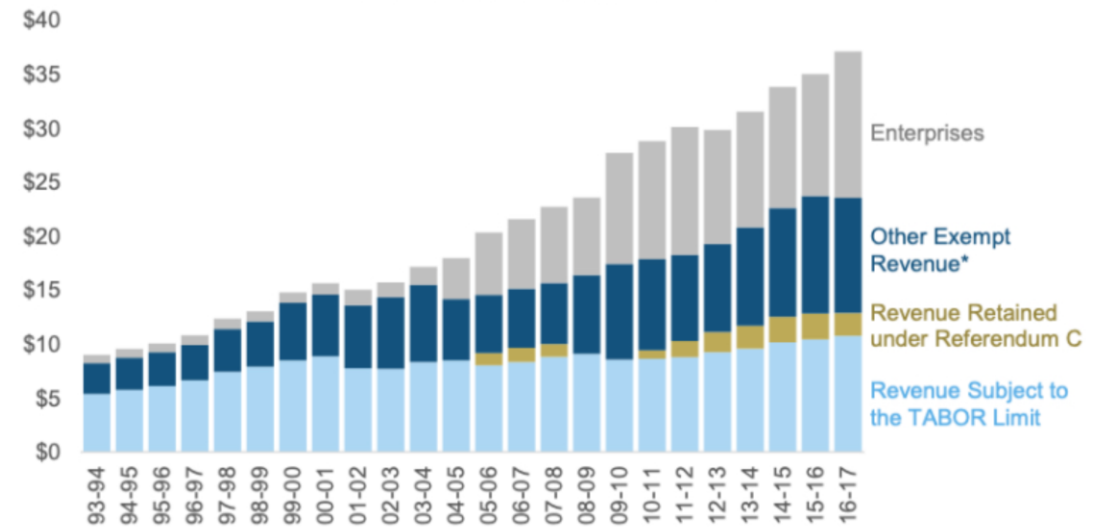
Proposed cap under SB 20 & SJR 4



Tax and Expenditure Limits have mixed evidence

- Reduced taxes are hoped to positively impact economic growth
 - Unclear, as taxes fund services and we can't disentangle these two things easily
- Also possible revenue sources (or spending) are just moved outside the cap

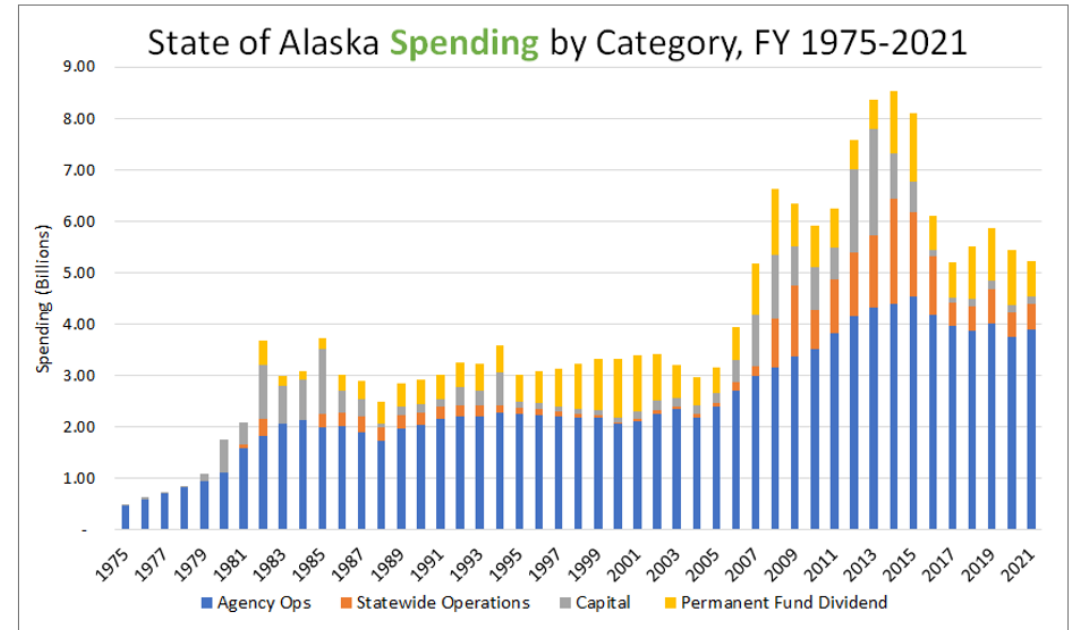
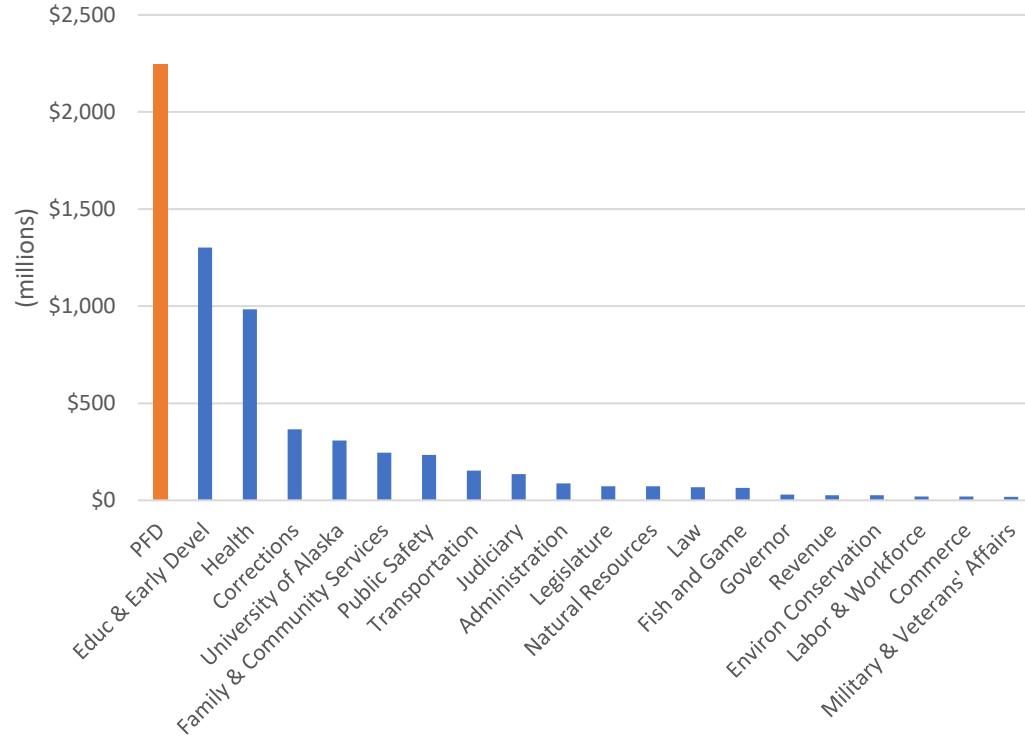
Figure 7
State Revenue by TABOR Status
Billions of Dollars, Not Adjusted for Inflation



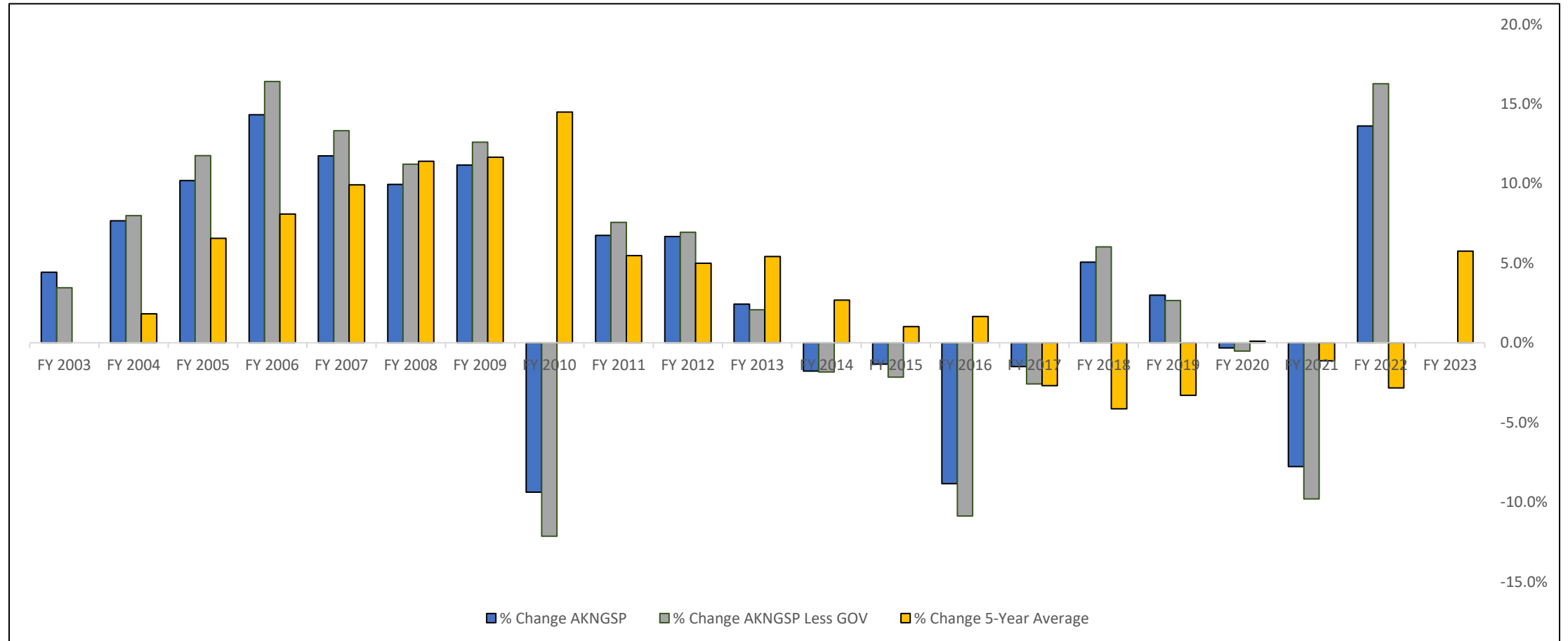
Source: Colorado Office of the State Controller, TABOR Schedule of Computations. FY 2016-17 is the most recent year for which audited data are available. Amounts include certain federal fund transfers to enterprises and may differ slightly from those shown in other figures in this document.
*Includes voter approved revenue increases, which are exempt from TABOR.

Components of state spending in Alaska

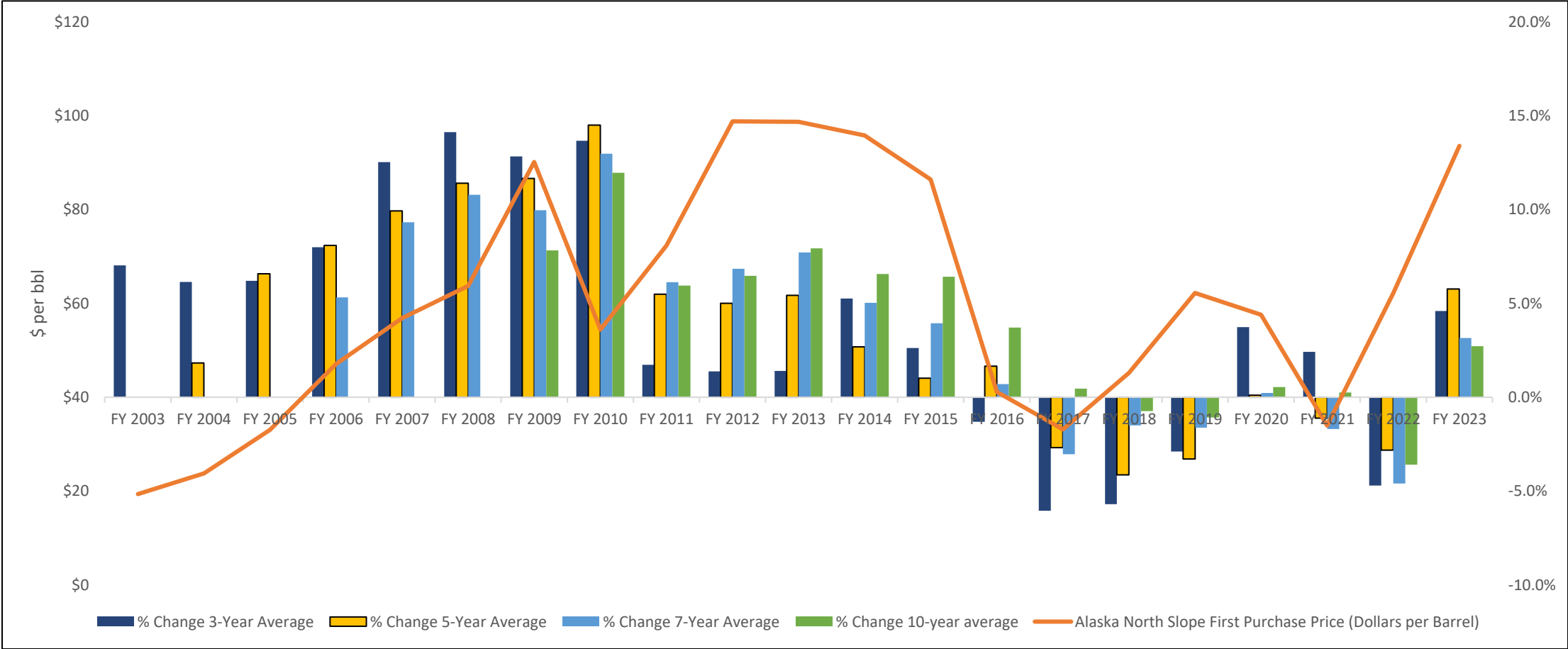
FY2024 Governor Amended UGF



Changes in AKGSP excluding government are more volatile

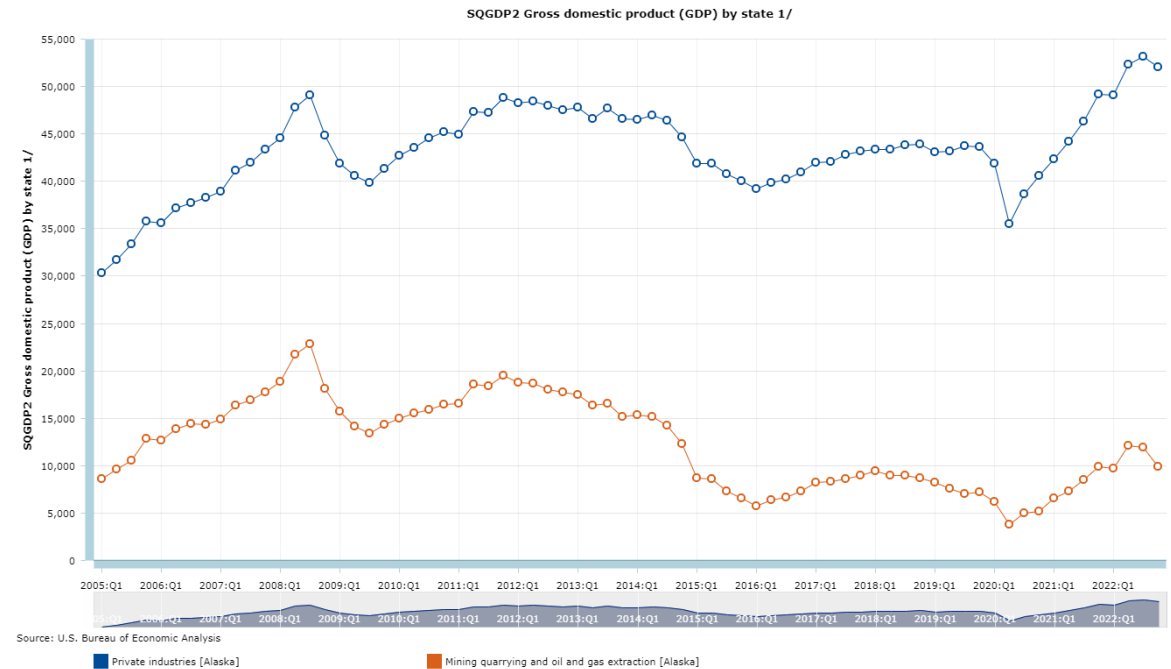


Longer time horizons dampen but do not remove cycles



GSP in Alaska is dominated by natural resources

- Alaska GDP is dominated by natural resources (oil & gas).
 - Pre-2014 recession this was ~30% of Alaskan GSP
 - Now ~16% of Alaskan GSP
 - Production has been declining for decades
- Many of our fiscal shocks are due to changing oil prices



Issues with procyclical policy

“Balanced budget requirements lead to substantial pro-cyclicality in state government spending, with the stringency of a state's rules driving the pace at which it must adjust to shocks.”

(Clemens and Miran 2012)

Concerns for procyclical policy

- Government competes with the private sector to hire or purchase materials during periods of rapid growth
- Safety net programs grow in economic slowdowns

Considerations with Real Gross State Product

- Real Gross State Product is calculated using chain-type indexes weighted using current-period prices
 - current-dollar shares of GDP provide a more accurate measure of the relative importance of components and are preferable to chained-dollar shares
 - chained-dollar levels tends to overstate or understate sector contributions to GDP growth
- Real GDP by state does not capture state-to-state differences in the prices of goods and services that are produced and sold locally
- Issues with measuring quality improvements and productivity, particularly in service industries

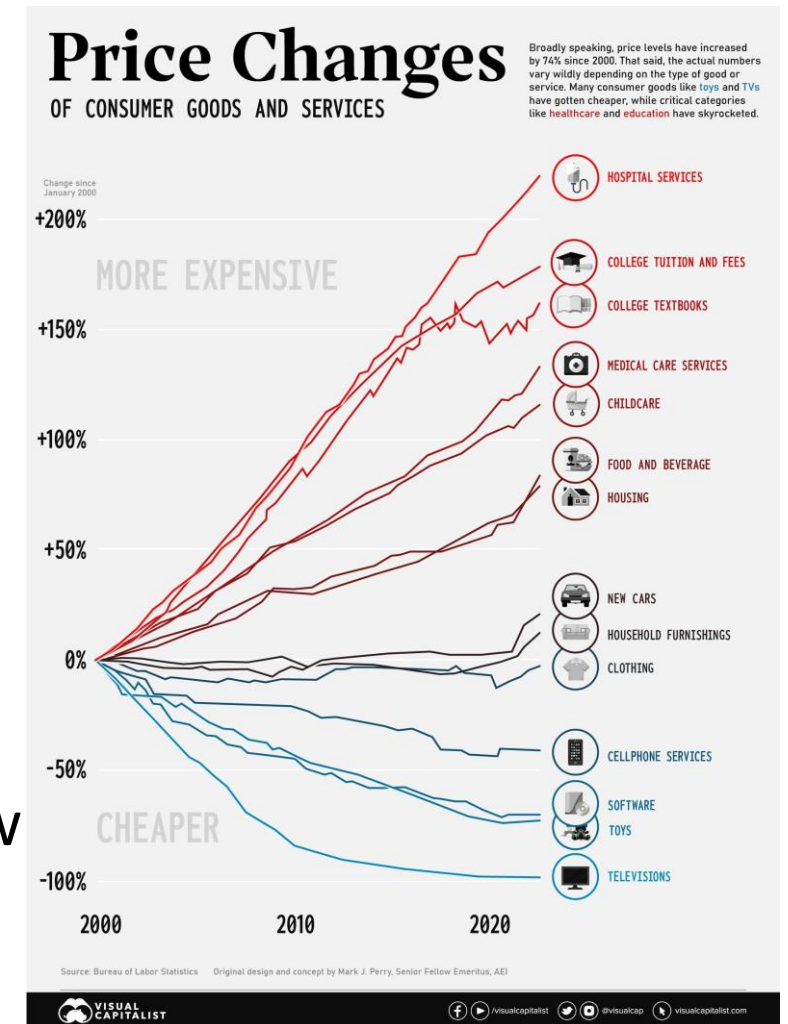
- Nominal GDP expressed in current year prices has similar issues

RGSP Government Spending is based on infrequent survey data

- Based mostly on **quinquennial Census of Governments and annual Government Finances Surveys** with regular revisions
- Takes **about 2 years from the close of each fiscal year for the Census Bureau to tabulate and release COG and GF data**. However, BEA's production schedule calls for more timely monthly and quarterly estimates.
 - Data on government receipts and expenditures are interpolated based on various data sources and revised later
- **Annual revisions cover the prior 3 years and the current year and include both annual and quarterly estimates**

Issues with other various measures

- Including population growth does not reflect population composition
 - Senior citizen or child population might grow faster than overall population
 - Focusing only on employment numbers ignores users of services
- Including inflation measures is not the same as measuring the cost of providing state services
 - Medicaid and medical costs growing faster than CPI
- Exclusion of funds and budget items biases spending, and excluded categories would likely grow as a share of spending



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