

## RESOLUTION #2023-06

**A resolution expressing concern about consideration of a State spending cap.**

WHEREAS, AML has advocated for a sustainable fiscal policy for more than a decade, and most recently this has referenced "Eight Stars of Gold," an eight-point fiscal plan that recognizes the trade-offs necessary to achieve such a goal; and

WHEREAS, while this includes new revenues, efficient delivery of government services, partnerships with local governments and nonprofits, effective use of Permanent Fund earnings, and addressing our infrastructure needs and Constitutional obligations, it recognizes that a spending cap may be part of the negotiated solutions; and

WHEREAS, local governments are apprehensive about a cap on State spending that may result in limiting the provision of State services, inhibiting partnerships at the local level, and which could decrease State investments into capital needs; and

WHEREAS, local governments are also very experienced with tax, revenue, or spending caps at the local level, which are direct expressions of local resident will that come with potential reductions in services and unmet need, and active engagement; and

WHEREAS, AML's fiscal policy working group identified the best spending cap as a broad-based tax, inasmuch as it results in a stable funding stream that can be anticipated and projected out into future years without the instability experienced with a resource tax; and

WHEREAS, research has proven that citizens are much more actively engaged in State decision-making when they are also taxpayers, and cognizant of budget implications; and

WHEREAS, a challenging aspect of implementation of a spending cap is that determining a baseline is difficult, and for as much as State spending in one year may look high, averaged over time it becomes standard, or if low spending over time feels like a new standard, it may not reflect the deficiency relative to need; and

WHEREAS, even basing a cap on economic activity may fail to recognize and account for a baseline of need at the beginning or how to adjust in times of economic challenge; and

WHEREAS, establishing a spending cap now will need to take into account infrastructure deficits, economic goals, and policy goals; and

WHEREAS, at the local level, a fund balance policy is an effective tool, such that when there are funds in excess of the budget they are intentionally set aside for a variety of purposes, but also there are bounds for a minimum and maximum; and

WHEREAS, it should be understood that a spending cap should come as part of a comprehensive policy, may result in prescriptive spending that does not meet the needs of Alaskans, and in other states has had unintended consequences; and

WHEREAS, a spending cap is not an effective answer to insufficient revenues, nor does it necessarily pave the way for the establishment of sustainable revenue sources.

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League would consider with caution a State spending cap, expect to be active in any negotiated solution, and in that consideration would prioritize the ability of the State to meet its Constitutional obligations, address years of insufficient spending on capital and operating needs, and resolve at the same time other systemic issues of the State, including its unfunded pension liability, inconsistent approach to public safety and education, and infrastructure deficit; and

BE IT FURTHER RESOLVED that a broad-based tax and fund balance policy may achieve the same goals, and AML is willing to work with the Legislature to share best practices experienced at the local level that can apply at the State.