

# Adjusting and Projecting the State Expenditure Limit

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As Adopted

November 30, 2007

On the web at: <http://www.elc.wa.gov>



# 601 Basics

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- For the 2005-07 Biennium, the expenditure limit applied to General Fund state expenditures only.
- Beginning with the 2007-09 Biennium, the limit also covers these “related” accounts:
  - Health Services Account
  - Violence Reduction and Drug Enforcement Account
  - Public Safety and Education Account\*
  - Water Quality Account
  - Student Achievement Fund

\* Including the Equal Justice Sub-Account



## 601 Basics (cont.)

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- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor.”



## 601 Basics (cont.)

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- For the 2005-07 Biennium, the fiscal growth factor was a three year average of inflation plus population growth.
- Starting with the 2007-09 Biennium, the fiscal growth factor is the average growth in state personal income for the prior ten fiscal years.
- The baseline expenditure limit is adjusted for:
  - Actual expenditures in the previous year (“rebasings”)
  - Money transfers and program cost shifts



# Statutory Requirements

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- Update the expenditure limit for FY 2007 to reflect actions taken by the 2007 Legislature, including the 2007 supplemental budget.
- Update the projected expenditure limit for FY 2008 to reflect
  - The revised actual expenditures for FY 2007
  - Inclusion of other “related” funds
  - Fiscal growth factor
  - Money transfers and program cost shifts
- Update the expenditure limit for FY 2009 to reflect
  - The revised limit for FY 2008
  - Updated fiscal growth factor
  - Money transfers and program cost shifts
- Project a new spending limit for FY 2010



# FY 2007 Limit

Final Calculation (\$ Millions)

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□ Limit adopted Nov. '06	\$14,131.9
□ Adjustments (from 2007 session)	<u>\$ 22.3</u>
□ Adjusted spending limit	\$14,154.1
□ Actual spending level	\$14,143.6

Actual FY07 spending is used to  
calculate the limit for FY08



# FY 2007 Adjustments

(\$ Millions)

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□ Program Shifts to GF	\$ 29.1
□ Program Shifts from GF	(\$ 6.9)
□ Money Transfers to GF	\$ 0.0
□ Money Transfers from GF	<u>\$ 0.0</u>

TOTAL \$ 22.3\*

\*Total does not tie due to rounding



# Calculating the FY 2008 Limit

(\$ Millions)

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- FY 2007 Actual GFS Spending
- Plus FY 2007 actual spending in “related funds”
- Less FY 2007 appropriations expended into related accounts (double count)
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$(\$14,143.6 + \$1,162.1 - \$59.0) \times 1.0553 - \$87.8 = \$16,002.1$$



# FY 2008 Expenditure Base

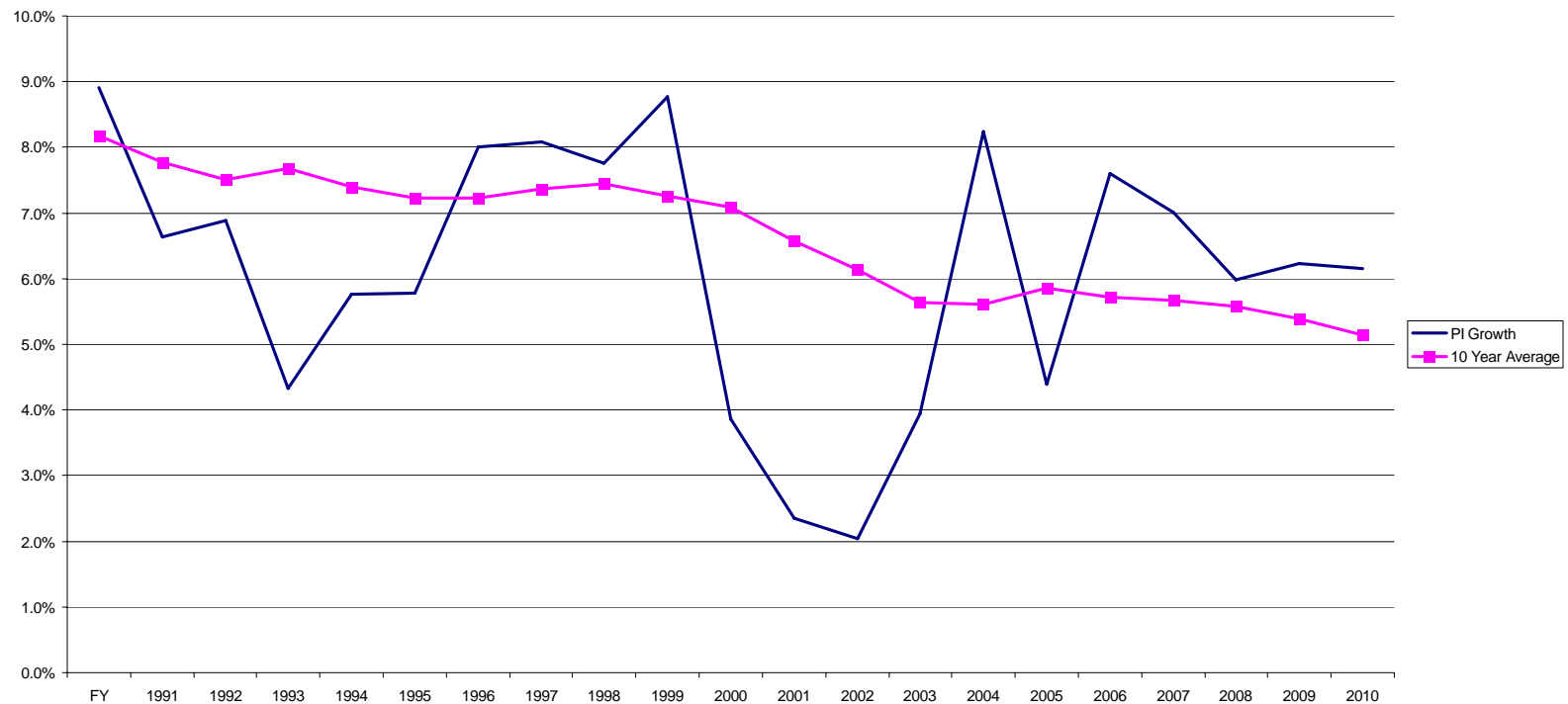
(\$ Millions)

□	<b>2007 Actual Spending - GFS</b>	<b>\$14,143.6</b>
□	<b>2007 Actual Spending “related” appropriations</b>	
■	PSEA*	\$
■	Water Quality Account**	\$ 89.9
■	VRDE	\$ 32.6
■	Student Achievement Fund	\$ 349.6
■	Health Services Account	\$
		<u>628.3</u>
	<b>Total</b>	<b>\$ 1,162.1</b>
□	<b>Less 2007 actual GFS spending into related accounts</b>	
■	Health Services Account	\$
■	VRDE	\$ (50.0)
■	PSEA*	\$
		<u>(50.0)</u>
	<b>Total</b>	<b>\$ (50.0)</b>

\* Excludes federal but includes Equal Justice Sub-Account

\*\* Includes Capital Budget expenditures.

# Starting in FY 2008, the Fiscal Growth Factor is Linked to State Personal Income Growth





# FY 2008 Fiscal Growth Factor

Adopted in November, 2006 (\$ Billions)

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□ FY 1997 Personal Income	\$144.998
□ FY 2007 Personal Income	\$248.344
□ 10 year average annual growth	5.53%

*Formula:  $(248.344/144.998)^{(1/10)}-1$*

# FY 2008 Adjustments

(\$ Millions)

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□ Program Shifts to GF/Related*	\$ 7.8
□ Program Shifts from GF/Related	(\$ 90.7)
□ Money Transfers from GF/Related**	<u>(\$ 4.9)</u>
<b>TOTAL</b>	<b>(\$ 87.8)</b>

\* Starting in FY08, federal and local shifts only.

\*\* Starting in FY08, money transfers to the general fund no longer increase the limit. Money transfers from the general fund (and, now, related funds) still reduce the limit.



# FY 2009 Limit

Preliminary calculation (\$ Millions)

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- FY 2008 Limit
- Multiplied by the Fiscal Growth Factor
- Plus/minus adjustments

$$\text{\$16,002.1} \times 1.0557 - \text{\$54.4} = \text{\$16,839.0}$$



# 2009 Fiscal Growth Factor

Final Calculation (\$ Billions)

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□ FY 1998 Personal Income	\$156.724
□ FY 2008 Personal Income (est.)	\$269.454
□ 10 year average annual growth	5.57%

*Formula:  $(269.454/156.724)^{(1/10)}-1$*



# FY 2009 Adjustments

(\$ Millions)

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□ Program Shifts to GF/Related	\$ 2.1
□ Program Shifts from GF/Related	(\$ 24.7)
□ Money Transfers from GF/Related	<u>(\$ 31.8)</u>
TOTAL	(\$ 54.4)



# FY 2010 Limit

Preliminary projection (\$ Millions)

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- Projected FY 2009 Limit
- Multiplied by the Fiscal Growth Factor

$$\$16,839.0 \times 1.0539 = \$17,746.6$$





# 2010 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

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□ FY 1999 Personal Income	\$168.873
□ FY 2009 Personal Income (est.)	\$285.581
□ 10 year average annual growth	5.39%

*Formula:  $(285.581/168.873)^{(1/10)}-1$*



# FY 2011 Limit

Unofficial Calculation For Planning Purposes (\$ Millions)

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- Projected FY 2010 Limit
- Multiplied by the Fiscal Growth Factor

$$\$17,746.6 \times 1.0515 = \$18,660.5$$



# 2011 Fiscal Growth Factor

Unofficial Calculation For Planning Purposes (\$ Billions)

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□ FY 2000 Personal Income	\$183.670
□ FY 2010 Personal Income (est.)	\$303.373
□ 10 year average annual growth	5.15%

*Formula:  $(303.373/183.670)^{(1/10)}-1$*



# Spending Limits (\$ Millions)

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□ FY 2007*	\$14,154.1
□ FY 2008**	\$16,002.1
□ FY 2009**	<u>\$16,839.0</u>
<b>2007-09 Biennium</b>	<b>\$32,841.0 #</b>
□ FY 2010***	\$17,746.6
□ FY 2011****	<u>\$18,660.5</u>
<b>2009-11 Biennium</b>	<b>\$36,407.1</b>

\* The limit for FY 07. Actual GFS spending for FY 07 (\$14,143.6m) is used to calculate the limit for FY 2008

\*\* FY 2008 and subsequent years include GFS and “related” accounts

\*\*\* Preliminary projection

\*\*\*\* Unofficial calculation for planning purposes and is not adopted by the ELC

# Total may not tie due to rounding