

# Adjusting and Projecting the State Expenditure Limit

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November, 2008

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

# 601 Basics

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- Beginning with the 2007-09 biennium, the limit covers spending from the General Fund State plus 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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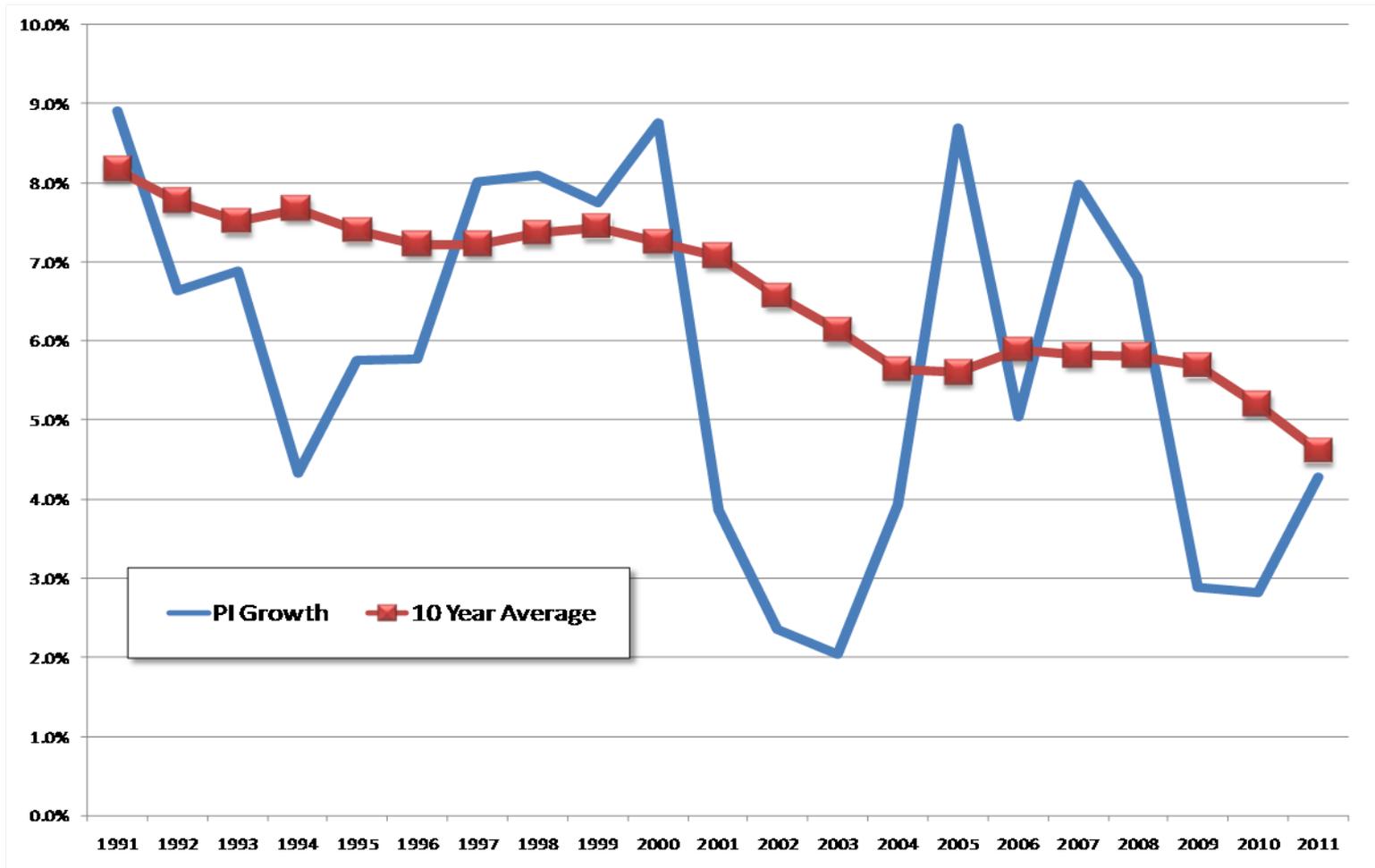
- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor.”

# 601 Basics (cont.)

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- 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”)
  - Certain money transfers and program cost shifts

# The Fiscal Growth Factor is equal to the 10-Year Average of State Personal Income Growth



# Statutory Requirements

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- Update the expenditure limit for FY 2008 to reflect actions taken by the 2008 Legislature, including the 2008 supplemental budget.
- Update the projected expenditure limit for FY 2009 to reflect
  - The revised actual expenditures for FY 2008
  - Fiscal growth factor
  - Money transfers and program cost shifts
- Update the expenditure limit for FY 2010 to reflect
  - The revised limit for FY 2009
  - Updated fiscal growth factor
  - Money transfers and program cost shifts
- Project a new spending limit for FY 2011

# FY 2008 Limit

Final Calculation (\$ Millions)

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□ Limit adopted Nov. '07	\$16,002.1
□ Adjustments (from 2008 session)	<u>(\$ 30.5)</u>
□ Adjusted spending limit	\$15,971.6
□ Actual spending level	\$15,960.5

Actual FY08 spending is used to calculate the limit for FY09

# FY 2008 Adjustments

(\$ Millions)

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□ Program Shifts to GF*	\$ 7.2
□ Program Shifts from GF	(\$ 32.8 )
□ Money Transfers from GF	<u>(\$ 4.9 )</u>

**TOTAL (\$ 30.5)**

\* Federal and Local Shifts only.

# Calculating the FY 2009 Limit

(\$ Millions)

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- FY 2008 Actual GFS and Related Spending
- Less any FY 2008 appropriations expended into related accounts (double count)
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments (From both the 2007 and 2008 Sessions)

$$(\$15,960.5 - \$0) \times 1.0557 - \$15.0 = \$16,834.5$$

# FY 2009 Expenditure Base

(\$ Millions)

□	2008 Actual Spending - GFS	\$14,615.9
□	2008 Actual Spending “related” appropriations	
■	PSEA*	\$ 93.1
■	Water Quality Account**	\$ 50.2
■	VRDE	\$ 52.1
■	Student Achievement Fund	\$ 423.4
■	Health Services Account	<u>\$ 725.9</u>
	<b>Total</b>	<b>\$15,960.5***</b>
□	Less 2008 actual GFS spending into related accounts	
■	None	\$ (0)

\* Excludes federal but includes Equal Justice Sub-Account

\*\* Includes any Capital Budget expenditures.

\*\*\* Total may not tie due to rounding.

# 2009 Fiscal Growth Factor

Adopted in November, 2007 (\$ 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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□ Net Adjustments from 2007 Session (adopted by ELC Nov, 2007)	(\$54.4)
□ Program Shifts to GF/Related*	\$58.7
□ Program Shifts from GF/Related	(\$12.4)
□ Money Transfers from GF/Related	<u>(\$ 6.9)</u>
<b>TOTAL</b>	<b>(\$15.0)</b>

\* Federal and local shifts only.

# FY 2010 Limit

Preliminary calculation (\$ Millions)

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- FY 2009 Limit
- Multiplied by the Fiscal Growth Factor
- Plus/minus Adjustments

$$\text{\$ } 16,834.5 \times 1.0520 - \text{\$ } 10.5 = \text{\$ } 17,699.4$$

# FY 2010 Fiscal Growth Factor

Final Calculation (\$ Billions)

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- FY 1999 Personal Income           \$ 168.873
- FY 2009 Personal Income           \$ 280.430
  
- 10 year average annual growth       5.20 %

*Formula:  $(280.430/168.873)^{(1/10)}-1$*

# FY 2010 Adjustments

(\$ Millions)

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□ Program Shifts to GF/Related	\$ 0.0
□ Program Shifts from GF/Related	(\$ 0.0 )
□ Money Transfers from GF/Related	<u>(\$ 10.5 )</u>
TOTAL	(\$ 10.5)

# FY 2011 Limit

Preliminary projection (\$ Millions)

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- Projected FY 2010 Limit
- Multiplied by the Fiscal Growth Factor
- Plus/minus adjustments

$$\$17,699.4 \times 1.0461 - \$2.5 = \$ 18,512.8$$

# 2011 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

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- FY 2000 Personal Income                      \$ 183.670
- FY 2010 Personal Income (est.)              \$ 288.335
  
- 10 year average annual growth              4.61%

*Formula:  $(288.335/183.670)^{(1/10)}-1$*

# FY 2011 Adjustments

(\$ Millions)

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□ Program Shifts to GF/Related*	\$ 0.0
□ Program Shifts from GF/Related	(\$ 0.0)
□ Money Transfers from GF/Related	<u>(\$ 2.5)</u>
<b>TOTAL</b>	<b>(\$ 2.5)</b>

\*Federal and Local shifts only.

# Spending Limits (\$ Millions)

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□ FY 2008*	\$15,971.6
□ FY 2009	<u>\$16,834.5</u>
<b>2007-09 Biennium</b>	<b>\$ 32,806.1</b>
□ FY 2010	\$17,699.4
□ FY 2011**	<u>\$18,512.8</u>
<b>2009-11 Biennium</b>	<b>\$ 36,212.2</b>

\* The limit for FY 08. Actual GFS and related spending for FY 08 (\$15,960.5m) is used to calculate the limit for FY 2009 (See page 9 for more information.)

\*\* Preliminary projection