

Adjusting and Projecting the State Expenditure Limit

November 23, 2009

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

601 Basics

- i Beginning with fiscal year 2008, the limit covers spending from the General Fund State plus “related” accounts (Health Services Account; Violence Reduction and Drug Enforcement Account; Public Safety and Education Account*; Water Quality Account; and the Student Achievement Fund).
- i Beginning with fiscal year 2010, these “related” accounts were consolidated into the state general fund.

* Including the Equal Justice Sub-Account

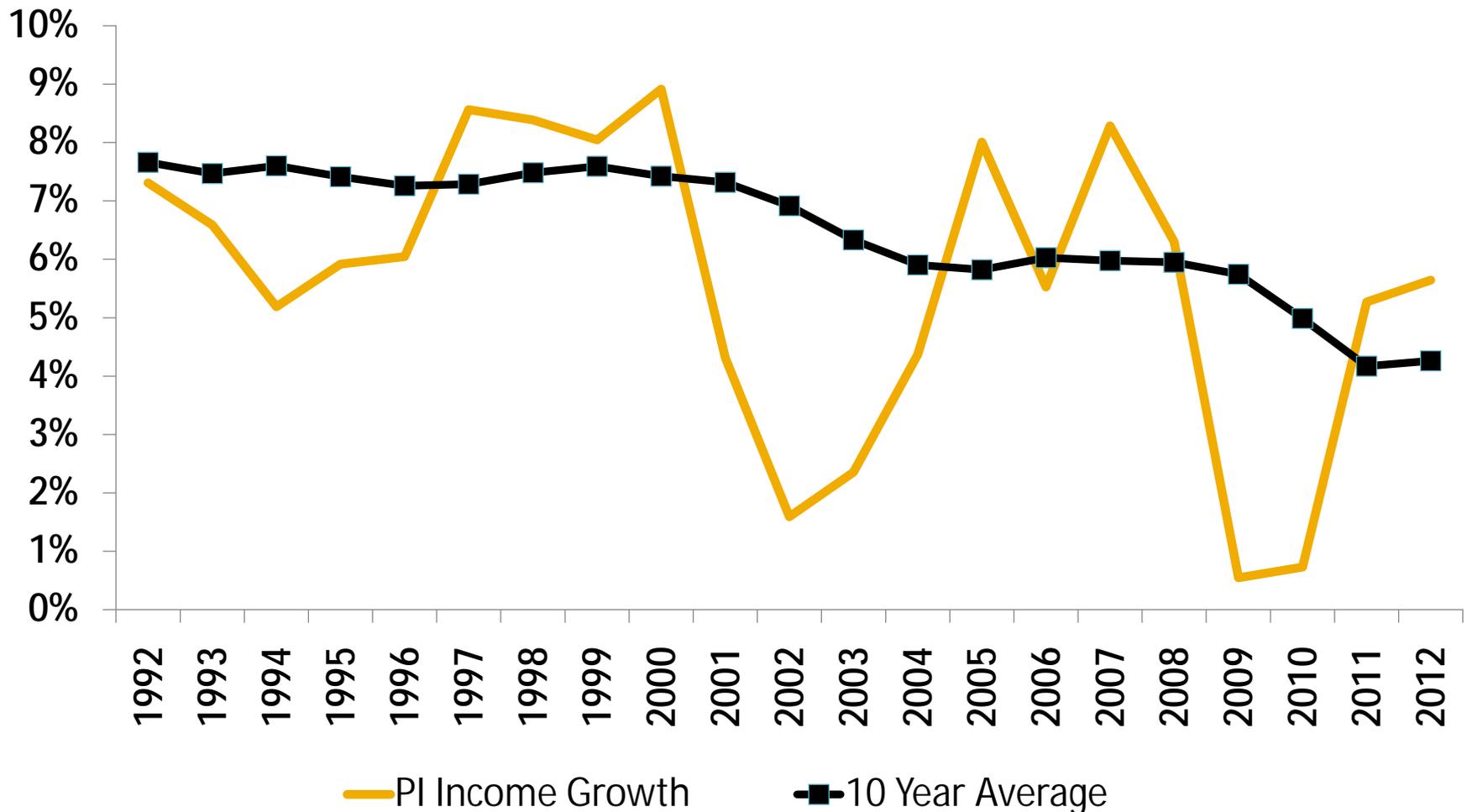
601 Basics (cont.)

- i 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.
- i The projected expenditure limit is calculated by multiplying the previous year's limit by the "fiscal growth factor."

601 Basics (cont.)

- i The fiscal growth factor is the average growth in state personal income for the prior ten fiscal years.
- i 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

- i Update the expenditure limit for FY 2009 to reflect actions taken by the 2009 Legislature, including the 2009 supplemental budgets.
- i Update the projected expenditure limit for FY 2010 to reflect
 - The revised actual expenditures for FY 2009
 - Fiscal growth factor
 - Money transfers and program cost shifts
- i Update the expenditure limit for FY 2011 to reflect
 - The revised limit for FY 2010
 - Updated fiscal growth factor
 - Money transfers and program cost shifts
- i Project a new spending limit for FY 2012

FY 2009 Limit

Final Calculation (\$ Millions)

i	Limit adopted Nov. '08	\$16,834.5
i	Adjustments (from 2009 session)	<u>(\$ 1,057.2)</u>
i	Adjusted spending limit	\$15,777.3
i	Actual spending level	\$15,611.7
	Actual FY09 spending is used to calculate the limit for FY10	

FY 2009 Adjustments

(\$ Millions)

i	Program Shifts to GF/Related*	\$2.0
i	Program Shifts from GF/Related	(\$1,059.2)
i	Money Transfers from GF/Related	<u>(\$ 0)</u>
	TOTAL	(\$ 1 ,057.2)

* Federal and Local Shifts only.

Calculating the FY 2010 Limit

(\$ Millions)

- | FY 2009 Actual GFS and Related Spending
- | Less any FY 2009 appropriations expended into related accounts (double count)
- | Multiplied by the Fiscal Growth Factor
- | Plus/Minus Adjustments

$$(\$ 15,611.7 - \$0) \times 1.0520 - \$587.5 = \$15,836.1$$

FY 2010 Expenditure Base

(\$ Millions)

	2009 Actual Spending - GFS	\$14,617.2
	2009 Actual Spending "related" appropriations	
	▪ PSEA*	\$ 104.6
	▪ Water Quality Account**	\$ 35.4
	▪ VRDE	\$ 58.7
	▪ Student Achievement Fund	\$ 74.9
	▪ Health Services Account	<u>\$ 720.9</u>
	Total	\$ 15,611.7 ***
	Less 2009 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.

FY 2010 Fiscal Growth Factor

Adopted in November, 2008 (\$ Billions)

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

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

FY 2010 Adjustments

(\$ Millions)

i	Program Shifts to GF *	\$214.6
i	Program Shifts from GF	(\$791.6)
i	Money Transfers from GF**	<u>(\$10.5)</u>
	TOTAL	(\$587.5)

* Federal and local shifts.

** Adopted in the 2008 session.

FY 2011 Limit

Preliminary calculation (\$ Millions)

- i FY 2010 Limit
- i Multiplied by the Fiscal Growth Factor
- i Plus/minus Adjustments

$$\$15,836.1 \times 1.0417 + \$ 1,080.7 = \$17,577.1$$

FY 2011 Fiscal Growth Factor

Final Calculation (\$ Billions)

i	FY 2000 Personal Income	\$186.876
i	FY 2010 Personal Income (est.)	\$281.111
i	10 year average annual growth	4.17%

Formula: $(281.111/186.876)^{(1/10)}-1$

FY 2011 Adjustments

(\$ Millions)

i	Program Shifts to GF*	\$1,148.6
i	Program Shifts from GF	(\$ 65.4)
i	Money Transfers from GF	<u>(\$ 2.5)</u>
	TOTAL	\$ 1080.7

* Federal and local shifts only.

** Adopted in the 2008 session

FY 2012 Limit

Preliminary projection (\$ Millions)

- i Projected FY 2011 Limit
- i Multiplied by the Fiscal Growth Factor

$$\text{\$17,577.1} \times 1.0426 = \text{\$18,325.9}$$

2012 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

i	FY 2001 Personal Income	\$194.940
i	FY 2011 Personal Income (est.)	\$295.922
i	10 year average annual growth	4.26%

Formula: $(295.922/194.940)^{(1/10)}-1$

FY 2013 Limit

Unofficial Calculation for Planning Purposes (\$ Millions)

- i Projected FY 2012 Limit
- i Multiplied by the Fiscal Growth Factor

$$\text{\$18,325.9} \times 1.0467 = \text{\$19,181.7}$$

2013 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

i	FY 2002 Personal Income	\$198.046
i	FY 2012 Personal Income (est.)	\$312.622
i	10 year average annual growth	4.67%

Formula: $(312.622/198.046)^{(1/10)}-1$

Spending Limits

(\$ Millions)

FY 2009*	\$15,777.3
FY 2010	\$15,836.1
FY 2011	<u>\$17,577.1</u>
2009-11 Biennium	\$33,413.1
FY 2012**	\$ 18,325.9
FY 2013***	<u>\$ 19,181.7</u>
2011-13 Biennium	\$37,507.5

* The limit for FY 09. Actual GFS and related spending for FY 2009(\$ 15,611.7m) is used to calculate the limit for FY 2010 (See page 9 for more information).

** Preliminary projection

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