

Adjusting and Projecting the State Expenditure Limit

November 2011

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

Expenditure Limit Basics

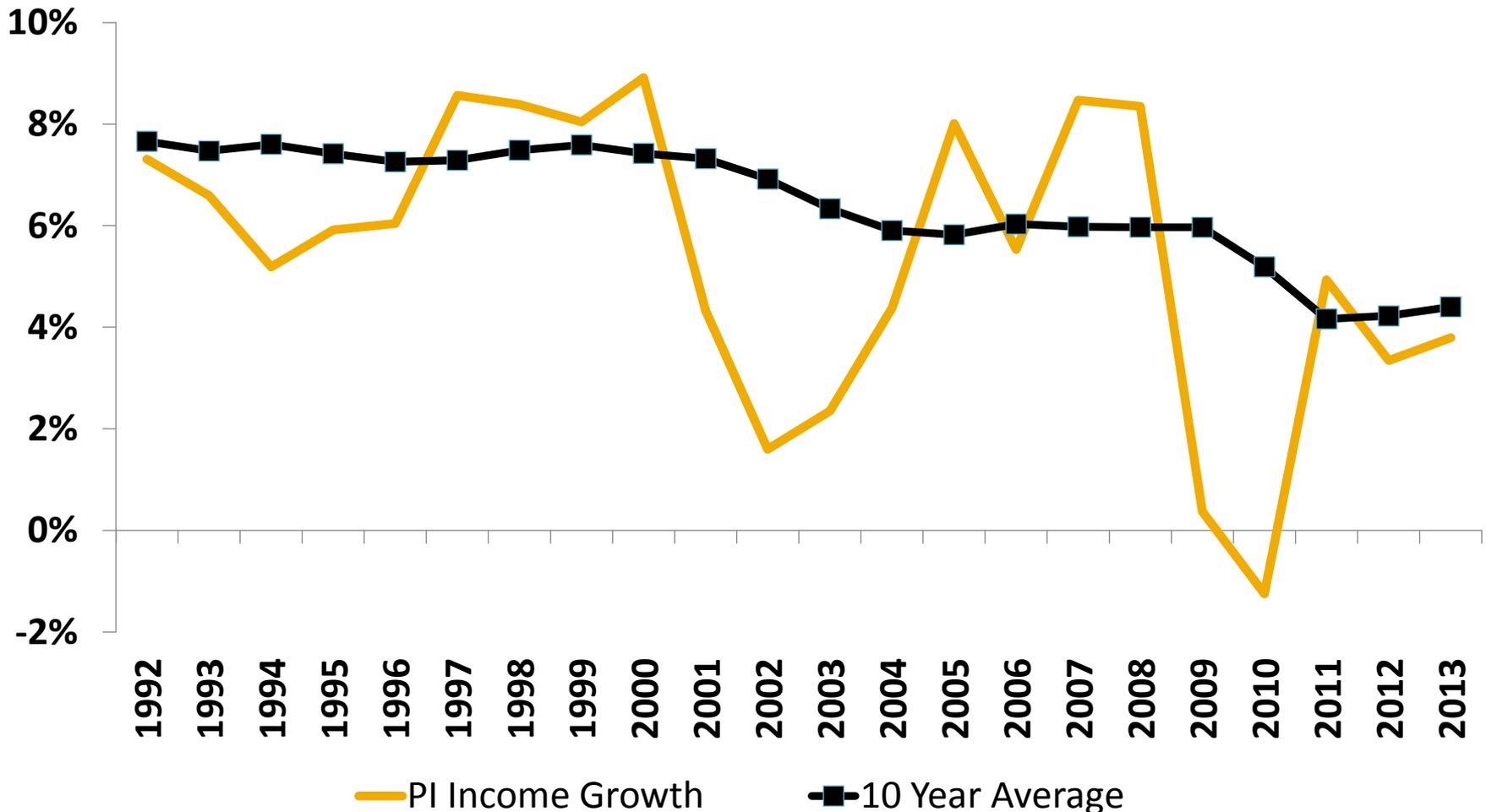
- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor.”

Expenditure Limit Basics

(cont.)

- 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

- Update the expenditure limit for FY 2011 to reflect actions taken by the 2011 Legislature, including the 2011 supplemental budget.
- Update the projected expenditure limit for FY 2012 to reflect
 - The revised actual expenditures for FY 2011
 - Fiscal growth factor
 - Money transfers and program cost shifts
- Update the expenditure limit for FY 2013 to reflect
 - The revised limit for FY 2012
 - Updated fiscal growth factor
 - Money transfers and program cost shifts
- Project a new spending limit for FY 2014

FY 2011 Limit

Final Calculation (\$ Millions)

■ Limit adopted Nov. '10	\$15,898.8
■ Adjustments (from 2011 session*)	<u>(\$ 74.2)</u>
■ Adjusted spending limit	\$15,824.6
■ Actual spending level	\$14,823.1

Actual FY 2011 spending is used to calculate the limit for FY12

**Including the December 2010 special session.*

FY 2011 Adjustments

(\$ Millions)

■ Program Shifts to GF/Related*	\$207.7
■ Program Shifts from GF/Related	(\$281.9)
■ Money Transfers from GF/Related	<u>(\$0)</u>
TOTAL	(\$74.2)

* Federal and Local Shifts only.

Calculating the FY 2012 Limit

(\$ Millions)

- FY 2011 Actual GFS Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$14,823.1 \times 1.0434 + \$713.8 = \$16,180.2$$

FY 2012 Fiscal Growth Factor

Adopted in November, 2010 (\$ Billions)

■ FY 2001 Personal Income	\$194.962
■ FY 2011 Personal Income (est.)	\$298.038
■ 10 year average annual growth	4.34%

Formula: $(298.083/194.962)^{(1/10)}-1$

FY 2012 Adjustments

(\$ Millions)

■ Program Shifts to GF/Related*	\$973.3
■ Program Shifts from GF/Related	(\$259.5)
■ Money Transfers from GF/Related	<u>(\$0)</u>
TOTAL	\$713.8

* Federal and Local Shifts only.

FY 2013 Limit

Preliminary calculation (\$ Millions)

- FY 2012 Limit
- Multiplied by the Fiscal Growth Factor
- Plus or minus adjustments

$$\$16,180.2 \times 1.0440 - \$101.3 = \$16,790.8$$

FY 2013 Fiscal Growth Factor

Final Calculation (\$ Billions)

- FY 2002 Personal Income \$198.074
- FY 2012 Personal Income (est.) \$304.708
- 10 year average annual growth 4.40%

Formula: $(304.708/198.074)^{(1/10)}-1$

FY 2013 Adjustments

(\$ Millions)

■ Program Shifts to GF/Related*	\$0.9
■ Program Shifts from GF/Related	(\$102.2)
■ Money Transfers from GF/Related	<u>(\$0)</u>
TOTAL	(\$101.3)

* Federal and Local Shifts only.

FY 2014 Limit

Preliminary projection (\$ Millions)

- Projected FY 2013 Limit
- Multiplied by the Fiscal Growth Factor

$$\$16,790.8 \times 1.0455 = \$17,554.8$$

2014 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

■ FY 2003 Personal Income	\$202.735
■ FY 2013 Personal Income (est.)	\$316.266
■ 10 year average annual growth	4.55%

Formula: $(316.266/202.735)^{(1/10)}-1$

FY 2015 Limit

Unofficial Calculation for Planning Purposes (\$ Millions)

- Projected FY 2014 Limit
- Multiplied by the Fiscal Growth Factor

$$\text{\$ } 17,554.8 \times 1.0463 = \text{\$ } 18,367.6$$

** Fiscal growth factor is estimated*

2015 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

■ FY 2004 Personal Income	\$211.609
■ FY 2014 Personal Income (est.)	\$332.767
■ 10 year average annual growth	4.63%

Formula: $(332.767/211.609)^{(1/10)}-1$

** Personal income and fiscal growth factor is estimated.*

Spending Limits

(\$ Millions)

■ FY 2011*	<u>\$15,824.6</u>
■ FY 2012	\$ 16,180.2
■ FY 2013	<u>\$ 16,790.8</u>
2011-13 Biennium	\$32,971.0
■ FY 2014**	\$ 17,554.8
■ FY 2015***	<u>\$ 18,367.6</u>
2013-15 Biennium	\$35,922.4

* The limit for FY 11. Actual GFS spending for FY 2011 (\$14,823.1 m) is used to calculate the limit for FY 2012 (See page 8 for more information).

** Preliminary projection.

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