

# Adjusting and Projecting the State Expenditure Limit

November 2013

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

# Expenditure Limit Basics

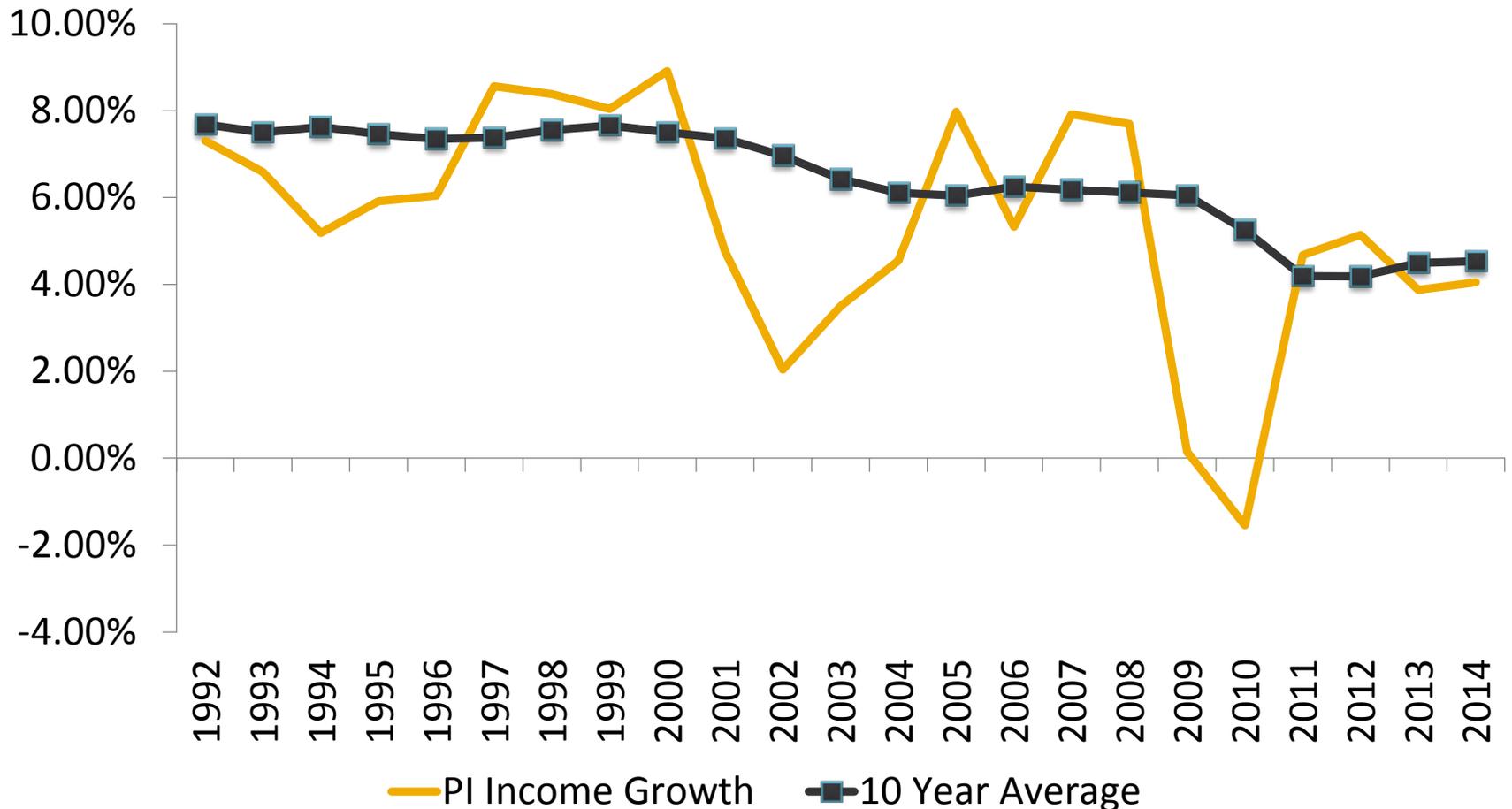
- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor.”

# 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 2013 to reflect actions taken by the 2013 Legislature, including the 2013 supplemental budget.
- Update the projected expenditure limit for FY 2014 to reflect
  - The revised actual expenditures for FY 2013
  - Fiscal growth factor
  - Money transfers and program cost shifts
- Update the expenditure limit for FY 2015 to reflect
  - The revised limit for FY 2014
  - Updated fiscal growth factor
  - Money transfers and program cost shifts
- Project a new spending limit for FY 2016

# FY 2013 Limit

## Final Calculation (\$ Millions)

|                                   |            |
|-----------------------------------|------------|
| ■ Limit adopted Nov. '12          | \$15,872.6 |
| ■ Adjustments (from 2013 session) | \$5.9      |
| ■ Adjusted spending limit         | \$15,878.5 |
| ■ Actual spending level           | \$15,479.3 |

Actual FY 2013 spending is used  
to calculate the limit for FY14

# FY 2013 Adjustments

(\$ Millions)

|                           |              |
|---------------------------|--------------|
| ■ Program Shifts to GF*   | \$39.2       |
| ■ Program Shifts from GF  | (\$33.3)     |
| ■ Money Transfers from GF | <u>(\$0)</u> |
| <b>TOTAL</b>              | <b>\$5.9</b> |

\* Federal and Local Shifts only.

# Calculating the FY 2014 Limit

(\$ Millions)

- FY 2013 Actual GFS Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments from 2013 session

$$\$15,479.3 \times 1.0465 + (\$107.8) = \$16,091.2^*$$

\*Total may not tie due to rounding

# FY 2014 Fiscal Growth Factor

Adopted in November, 2012 (\$ Billions)

- FY 2003 Personal Income \$202.735
- FY 2013 Personal Income (est.) \$319.527
- 10 year average annual growth 4.65%

*Formula:  $(319.527/202.735)^{(1/10)}-1$*

# FY 2014 Adjustments

(\$ Millions)

|                                   |                    |
|-----------------------------------|--------------------|
| ■ Program Shifts to GF/Related*   | \$68.0             |
| ■ Program Shifts from GF/Related  | (\$175.9)          |
| ■ Money Transfers from GF/Related | <u>(\$0.0)</u>     |
| <b>TOTAL</b>                      | <b>(\$107.8)**</b> |

\*Federal and Local Shifts only.

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

# FY 2015 Limit

Preliminary calculation (\$ Millions)

- FY 2014 Limit
- Multiplied by the Fiscal Growth Factor
- Plus/minus adjustments from 2013 session

$$\$16,091.2 \times 1.0448 + (\$177.0) = \$16,635.1$$

# FY 2015 Fiscal Growth Factor

## Final Calculation (\$ Billions)

|                                  |           |
|----------------------------------|-----------|
| ■ FY 2004 Personal Income        | \$216.162 |
| ■ FY 2014 Personal Income (est.) | \$335.115 |
| ■ 10 year average annual growth  | 4.48%     |

*Formula:  $(335.115 / 216.162)^{(1/10)} - 1$*

# FY 2015 Adjustments

(\$ Millions)

|                           |           |
|---------------------------|-----------|
| ■ Program shifts to GF    | \$13.2    |
| ■ Program shifts from GF  | (\$190.2) |
| ■ Money transfers from GF | \$0       |
| TOTAL                     | (\$177.0) |

# FY 2016 Limit

Preliminary projection (\$ Millions)

- Projected FY 2016 Limit
- Multiplied by the Fiscal Growth Factor

$$\text{\$16,635.1} \times 1.0422 = \text{\$17,337.1}$$

# 2016 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

- FY 2005 Personal Income \$233.410
- FY 2015 Personal Income (est.) \$352.882
- 10 year average annual growth 4.22%

*Formula:  $(352.882/233.410)^{(1/10)}-1$*

# FY 2017 Limit

Unofficial Calculation for Planning Purposes (\$ Millions)

- Projected FY 2016 Limit
- Multiplied by the Fiscal Growth Factor

$$\text{\$17,337.1} \times 1.0419 = \text{\$18,063.5}$$

*\* Fiscal growth factor is estimated*

# 2017 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

|                                  |           |
|----------------------------------|-----------|
| ■ FY 2006 Personal Income        | \$245.840 |
| ■ FY 2016 Personal Income (est.) | \$370.473 |
| ■ 10 year average annual growth  | 4.19%     |

*Formula:  $(370.473/245.840)^{(1/10)}-1$*

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

# Spending Limits

(\$ Millions)

|                         |                           |
|-------------------------|---------------------------|
| ■ FY 2013*              | \$15,878.5                |
| ■ FY 2014               | \$ 16,091.2               |
| ■ FY 2015               | <u>\$ 16,635.1</u>        |
| <b>2013-15 Biennium</b> | <b>\$32,726.3</b>         |
| ■ FY 2016**             | \$ <b>17,337.1</b>        |
| ■ FY 2017***            | <u>\$ <b>18,063.5</b></u> |
| <b>2015-17 Biennium</b> | <b>\$35,400.6</b>         |

\* The limit for FY 13. Actual GFS spending for FY 2013 (\$15.479 m) is used to calculate the limit for FY 2014 (See page 8 for more information).

\*\* Preliminary projection.

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

# Adjustments to the Limit for Fiscal Years 2016 and 2017

- Adjustments to the limit are included for fiscal years with an enacted budget in place.
- Most often, adjustments are driven by specific actions contained in the budget.
- Legislation passed in 2012 and 2013 (SHB 2823 and ESHB 2051) will drive future limit adjustments. For example, in FY 2016, 50% of the solid waste tax will be deposited into the Education Legacy Trust Account rather than the state general fund, lowering the limit for FY 2016.
  - These (and similar) adjustments will be incorporated as the shifts take effect.