

Overview of Engrossed House Bill 2267 (2015)

November 2015

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

EHB 2267 Suspended the Expenditure Limit

- Re-establishes a limit on state expenditures once the state has fully implemented its Article IX funding obligations
 - Specifies that state general fund expenditures must not exceed the expenditure limit beginning in Fiscal Year 2022.
 - Sets the expenditure limits in Fiscal Year 2022 to be the actual Fiscal Year 2021 expenditures plus the fiscal growth factor.

EHB 2267 (Continued)

- Directs the Economic and Revenue Forecast Council, in consultation with the Expenditure Limit Committee, to prepare draft legislation for the 2016 Legislative session that revises the state expenditure limit to synchronize the requirements with the four-year balanced budget and outlook requirements.

Adjusting the Fiscal Growth Factors

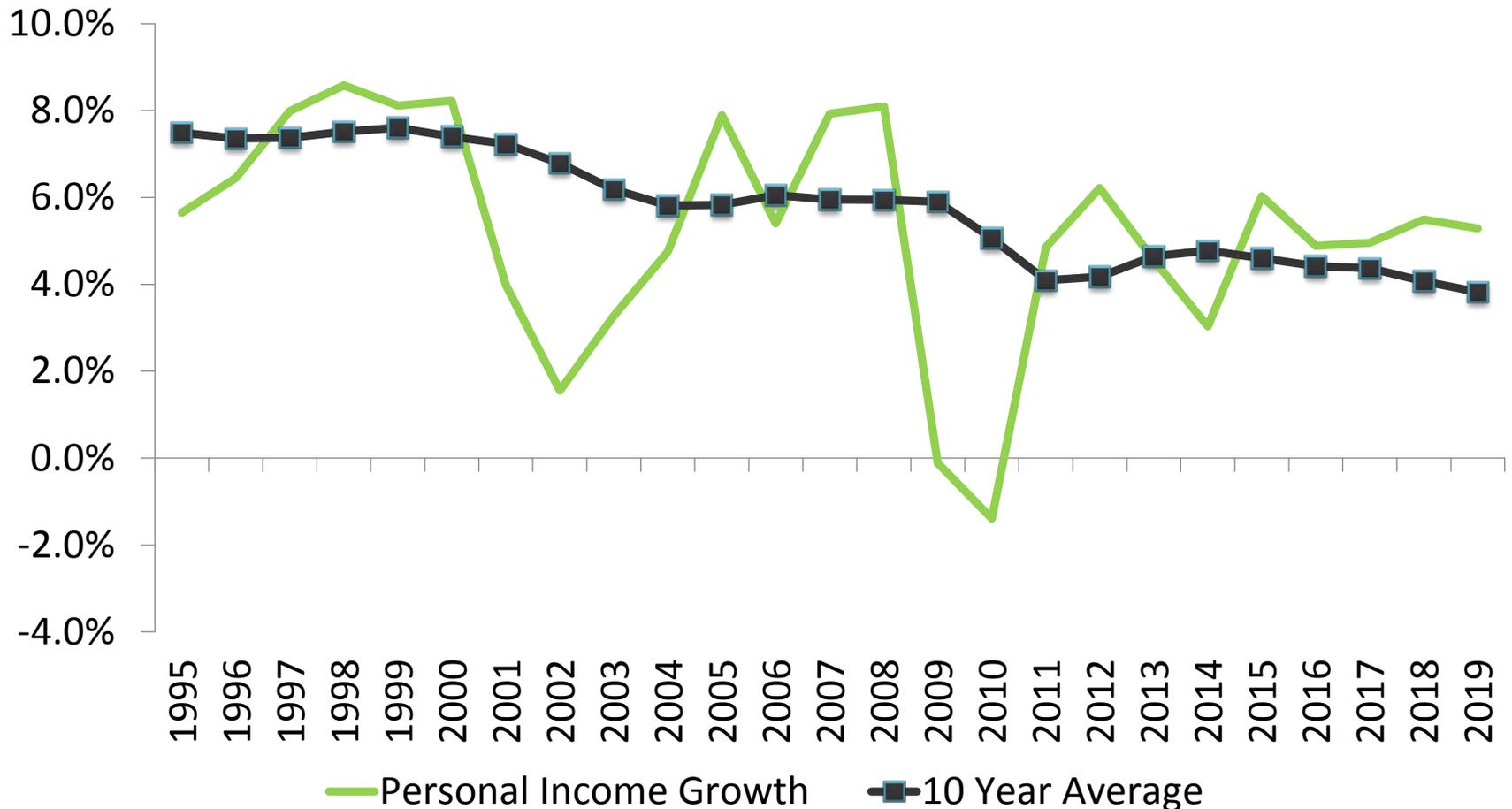
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Expenditure Limit Basics

- The projected expenditure limit (currently suspended) is calculated by multiplying the previous year's limit by the “fiscal growth factor” and accounting for other adjustments.
 - The fiscal growth factor is the average growth in state personal income for the prior ten fiscal years.
 - The fiscal growth factor is set once adopted by the expenditure limit committee and not updated for any subsequent revisions to the data.
- The fiscal growth factor is also used in statute for other purposes.

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



Fiscal Growth Factors

(\$ Billions)

Fiscal Year	Fiscal Growth Factor	Status
FY 2015	4.48%	Adopted November 2013
FY 2016	4.33%	Adopted November 2014
FY 2017	4.37%	Proposed Final
FY 2018	4.08%	Subject to Revision
FY 2019	3.82%	Unofficial

FY 2015 Fiscal Growth Factor

Adopted in November 2013 (\$ 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 2016 Fiscal Growth Factor

Adopted in November 2014 (\$ Billions)

■ FY 2005 Personal Income	\$233.104
■ FY 2015 Personal Income (est.)	\$356.249
■ 10 year average annual growth	4.33%

Formula: $(356.249 / 233.104)^{(1/10)} - 1$

2017 Fiscal Growth Factor

Proposed Final Calculation (\$ Billions)

■ FY 2006 Personal Income	\$246.415
■ FY 2016 Personal Income (est.)	\$377.809
■ 10 year average annual growth	4.37%

Formula: $(377.809/246.415)^{(1/10)}-1$

2018 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

■ FY 2007 Personal Income	\$265.947
■ FY 2017 Personal Income (est.)	\$396.527
■ 10 year average annual growth	4.08%

Formula: $(396.527/265.947)^{(1/10)}-1$

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

2019 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

■ FY 2008 Personal Income	\$287.479
■ FY 2018 Personal Income (est.)	\$418.306
■ 10 year average annual growth	3.82%

Formula: $(418.306/287.479)^{(1/10)}-1$

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