

# Adjusting the Fiscal Growth Factor

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November 18, 2020

# Expenditure Limit Law Change

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- The state expenditure limit, restrictions on raising taxes in excess of the limit, and the state Expenditure Limit Committee were repealed (Chapter 218, Laws of 2020)
- The state expenditure limit required calculation of a fiscal growth factor, which was not repealed and is used for other purposes
- The Economic Revenue Forecast Council (ERFC) is now responsible for calculating the fiscal growth factors by Fiscal Year (FY) for the current and ensuing biennia

# Fiscal Growth Factor Basics

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- The fiscal growth factor is the average growth in state personal income for the prior ten FY.
- The fiscal growth factor is set once adopted by the ERFC and not updated for any subsequent revisions to the data.

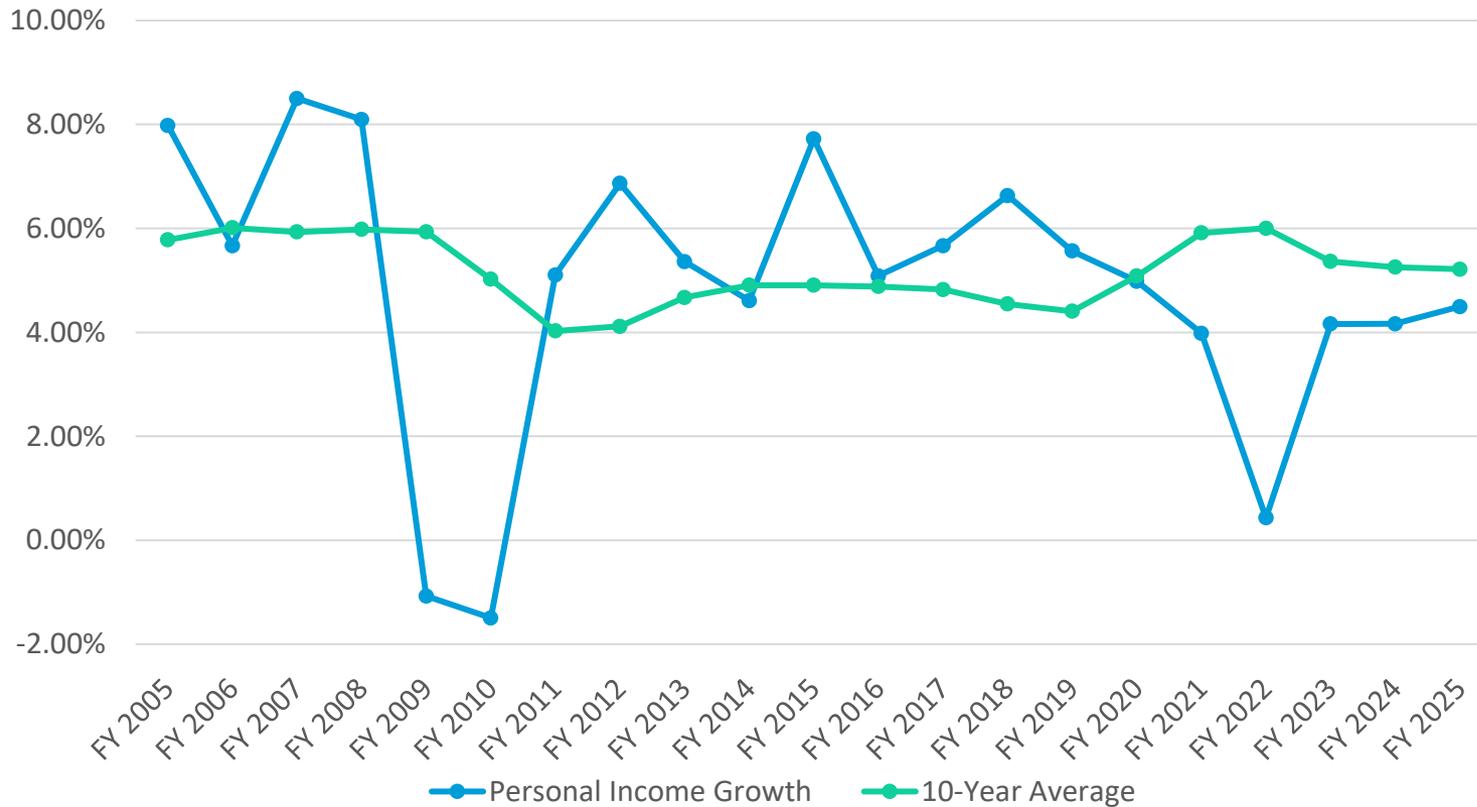
# Uses of the Fiscal Growth Factor

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The fiscal growth factor is used for purposes in statute including:

- Determining amounts that specific fees may or must be raised by; and
- Determining increases to be made for specific transfers and local distributions

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



# Fiscal Growth Factors

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<b>Fiscal Year</b>	<b>Fiscal Growth Factor</b>	<b>Status</b>
FY 2020 (2019-21)	5.08%	Adopted November 2018
FY 2021 (2019-21)	5.91%	Adopted November 2019
FY 2022 (2021-23)	6.00%	Proposed November 2020
FY 2023 (2021-23)	5.36%	Preliminary November 2020

# FY 2020 Fiscal Growth Factor

Adopted in November 2018 (\$ Billions)

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FY 2009 Personal Income	\$285.384
FY 2019 Personal Income	\$468.587
10 year average annual growth	5.08%

*Formula:  $(468.587/285.384)^{(1/10)}-1$*

# FY 2021 Fiscal Growth Factor

Adopted in November 2019 (\$ Billions)

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FY 2010 Personal Income	\$282.006
FY 2020 Personal Income ( <i>estimate</i> )	\$500.934
10 year average annual growth	5.91%

$$\text{Formula: } (500.934/282.006)^{(1/10)}-1$$

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

# FY 2022 Fiscal Growth Factor

Proposed Final (\$ Billions)

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FY 2011 Personal Income	\$296.551
FY 2021* Personal Income*	\$531.201
10 year average annual growth*	6.00%

$$\text{Formula: } (531.201/296.551)^{(1/10)}-1$$

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

# FY 2023 Fiscal Growth Factor

Preliminary (\$ Billions)

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FY 2012 Personal Income	\$316.426
FY 2022* Personal Income*	\$533.479
10 year average annual growth*	5.36%

$$\text{Formula: } (533.479/316.426)^{(1/10)}-1$$

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