

Expenditure Limit Committee

November 14, 2002

601 Basics

The expenditure limit applies to General Fund-State expenditures only.

Each November, the Expenditure Limit Committee adjusts the expenditure limit for the previous year and projects a limit for the following two years.

The “baseline” expenditure limit is calculated by multiplying the previous year’s limit by the “fiscal growth factor.”

601 Basics (cont.)

The fiscal growth factor is a three year average of inflation plus population growth.

The baseline expenditure limit is adjusted for:

- actual expenditures in the previous fiscal year (called “re-basing”).
- and for ***money transfers*** and ***program cost shifts*** to and from the General Fund.

Statutory Requirements

Update the expenditure limit for FY 2002 to reflect:

- money transfers and program cost shifts adopted in the 2002 supplemental budget

“Rebase” the expenditure limit for FY 2003 to reflect:

- actual FY 2002 expenditures

Update the expenditure limit for FY 2004 to reflect:

- the revised limit for FY 2003
- changes to the fiscal growth factors

FY 2002 Limit

■ Limit adopted 11/01	\$11,251.5
■ Adjustments	<u>\$18.4</u>
■ Adjusted Spending Limit	\$11,269.9
■ Spending Below the Limit	\$(55.5)
■ Actual Spending Level	\$11,214.4

(The actual spending level becomes the spending limit for the purpose of calculating future spending limits.)

FY 2002 Adjustments

Money Transfers to GF-S	\$60.7
Program Cost Shifts to GF-S	(16.6)
Program Cost Shifts from GF-S	<u>(25.7)</u>
	\$18.4

Calculating the FY 2003 Limit

- FY 2002 Actual Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$11,214.4 \times (1.0329) + \$352.1 = \$11,935.5$$

2003 Fiscal Growth Factor

(Calculated in Nov. 2001)

	Population Growth	Inflation (IPD)	Growth Factor
1999	1.41%	1.24%	
2000	1.09%	2.28%	
2001	1.37%	2.49%	
3 year average	1.29%	2.00%	3.29%

FY 2003 Adjustments

Money Transfers to GF-S	\$468.9
Money Transfers from GF-S	(3.4)
Program Cost Shifts to GF-S	36.0
Program Cost Shifts from GF-S	<u>(149.4)</u>
	\$352.1

FY 2004 Limit Projection

- FY 2003 Spending Limit
- Multiplied by the Fiscal Growth Factor

$$\$11,935.5 \times (1.0320) = \$12,317.4$$

FY 2004 Fiscal Growth Factor

(Officially established)

	Population Growth	Inflation (IPD)	Growth Factor
2000	1.09%	2.22%	
2001	1.37%	2.47%	
2002	1.12%	1.33%	
3 year average	1.19%	2.01%	3.20%

FY 2005 Limit Projection

(Working estimate)

- FY 2004 Projected Limit
- Multiplied by the Fiscal Growth Factor

$$\$12,317.4 \times (1.0318) = \$12,709.4$$

2005 Fiscal Growth Factor

(Preliminary calculation)

	Population Growth	Inflation (IPD)	Growth Factor
2001	1.37%	2.47%	
2002	1.12%	1.33%	
2003	0.94%	2.32%	
3 year average	1.14%	2.04%	3.18%

Proposed Spending Limits

FY 2002 (Rebased)	\$11,214.4
FY 2003	<u>\$11,935.5</u>
2001-03 Biennium	\$23,149.8
FY 2004	\$12,317.4
FY 2005	<u>\$12,709.4</u>
2003-05 Biennium	\$25,026.8

Appendix:

Detail of FY 2003 Adjustments

Money Transfers to GF-S		
Tobacco Securitization	450.0	
Fund Balance Transfers	18.9	468.9
Money Transfers from GF-S		
Transfer AASA Licensing Fees to GFS-L	(3.4)	(3.4)
Program Cost Shifts to GF-S		
DSHS-FMAP	15.4	
Disproportionate Share	17.2	
Other Cost Shifts to GF-S	3.4	36.0
Program Cost Shifts from GF-S		
Local Government Assistance	(59.4)	
DSHS: Use RSN Reserves	(21.2)	
K12: Safety Net	(7.1)	
K12: LAP	(5.9)	
HCA: Transfer Community Health Services	(6.7)	
Redirect Legal Immigrants to BHP	(21.0)	
MA: Maternity Support Services	(8.6)	
Other Cost Shifts from GF-S	(19.5)	(149.4)
	TOTAL	\$352.1