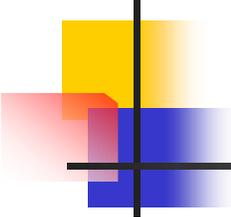


Expenditure Limit Committee

November 18, 2004

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

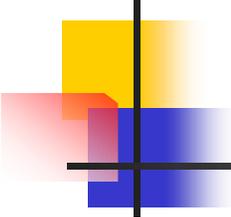


601 Basics

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.”

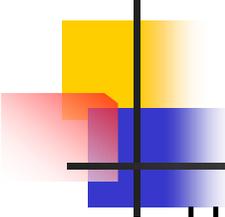


601 Basics (cont.)

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 2004 to reflect fund shifts adopted in the 2004 Supplemental budget

Rebase the expenditure limit for FY 2004 to actual expenditures for purposes of calculating the FY 2005 limit

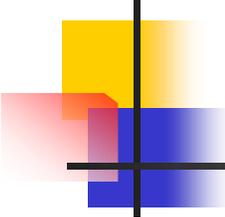
Adjust the expenditure limit for FY 2005 to reflect

- actual FY 2004 expenditures
- money transfers and program cost shifts

Update the expenditure limit for FY 2006 to reflect:

- the revised limit for FY 2005
- changes to the fiscal growth factors

Project a new spending limit for FY 2007

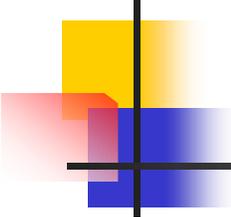


FY 2004 Limit

(All Dollars Are In Millions)

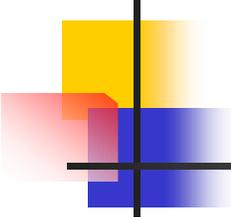
■ Limit adopted 11/03	\$11,642.8
■ Adjustments	<u>(\$3.5)</u>
■ Adjusted Spending Limit	\$11,639.3
■ Spending Below the Limit	(\$187.2)
■ Actual Spending Level	\$11,452.1

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



FY 2004 Adjustments

Money Transfers to GF-S	\$90.2
Program Cost Shifts to GF-S	2.5
Program Cost Shifts from GF-S	<u>(96.2)</u>
	(\$3.5)

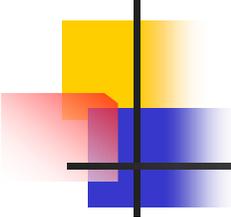


Calculating the FY 2005 Limit

- FY 2004 Actual Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$11,452.1 \times (1.0303) + 224.4 = \$12,023.5$$

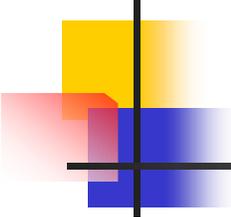
Note: The current FY 05 Appropriation is \$11,794.0



FY 2005 Fiscal Growth Factor

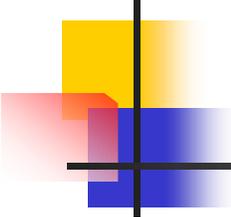
(Adopted in November, 2003)

	Population Growth	Inflation (IPD)	Growth Factor
2001	1.37%	2.47%	
2002	1.12%	1.33%	
2003	0.94%	1.86%	
3 year average	1.14%	1.89%	3.03%



FY 2005 Adjustments

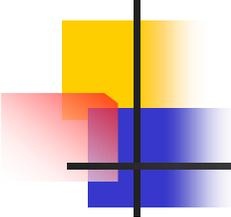
Adjustments from 2003-05 Budget	\$35.4
Money Transfers to GF-S	\$62.2
Money Transfers from GF-S	(0.1)
Program Cost Shifts to GF-S	133.4
Program Cost Shifts from GF-S	<u>(6.5)</u>
	\$224.4



FY 2006 Limit Projection

- FY 2005 Spending Limit
- Multiplied by the Fiscal Growth Factor

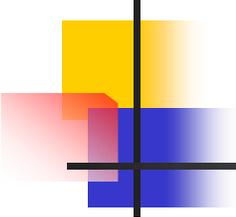
$$\$12,023.5 \times (1.0282) = \$12,362.6$$



FY 2006 Fiscal Growth Factor

(Final Calculation)

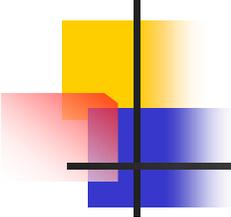
	Population Growth	Inflation (IPD)	Growth Factor
2002	1.12%	1.53%	
2003	0.94%	1.88%	
2004	1.14%	1.85%	
3 year average	1.07%	1.75%	2.82%



FY 2007 Limit Projection

- FY 2006 Projected Limit
- Multiplied by the Fiscal Growth Factor

$$\$12,362.6 \times (1.0309) = \$12,744.6$$

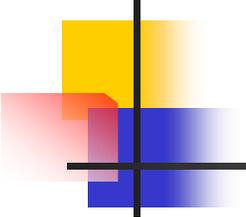


2007 Fiscal Growth Factor

(Preliminary calculation)

	Population Growth	Inflation (IPD)	Growth Factor
2003	0.94%	1.88%	
2004	1.14%	1.85%	
2005	1.44%	2.01%	
3 year average	1.17%	1.91%	3.09%

Note: Total does not tie due to rounding.



Proposed Spending Limits For FYs 2005, 2006 and 2007

FY 2004 (Actual Spending)	\$11,452.1
FY 2005 Limit	\$12,023.5
2003-05 Biennium	\$23,475.7
FY 2006 Limit	\$12,362.6
FY 2007 Limit	\$12,744.6
2005-07 Biennium	\$25,107.2

Note: Totals may not tie due to rounding.