

Expenditure Limit Committee

November 21, 2005

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



601 Basics

- For the 2005-07 biennium, the expenditure limit applies to General Fund state expenditures only.
- Beginning with the 2007-09 biennium, the limit will also cover these “near GF” accounts:
 - Health Services Account
 - Violence Reduction and Drug Enforcement Account
 - Public Safety and Education Account
 - Water Quality Account
 - Student Achievement Fund



601 Basics (cont.)

- Each November, the Expenditure Limit Committee adjusts the 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.)

- For the 2005-07 biennium, the fiscal growth factor is a three year average of inflation plus population growth.
- For the 2007-09 biennium, 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 (“rebasinɡ”)
 - Money transfers and program cost shifts



Statutory Requirements

- Update the expenditure limit for FY 2005 to reflect fund shifts adopted in the 2005 budget.
- Rebase the expenditure limit for FY 2005 to reflect actual expenditures for the purpose of calculating the FY 2006 limit
- Adjust the expenditure limit for FY 2006 to reflect
 - Actual FY 2005 expenditures
 - Money transfers and program cost shifts
- Update the expenditure limit for FY 2007 to reflect
 - The revised limit for FY 2006
 - Changes to the fiscal growth factors
- Project a new spending limit for FY 2008



FY 2005 Limit

(\$ Millions)

□ Limit adopted Nov. '04	\$12,023.5
□ Adjustments	<u>\$250.4</u>
□ Adjusted spending limit	\$12,273.9
□ Actual spending level	\$12,219.6

(It is the actual spending level upon which future spending limits are based.)



FY 2005 Adjustments

(\$ Millions)

□ Program Shifts to GF	\$0.7
□ Program Shifts from GF	(\$1.1)
□ Money Transfers to GF	\$250.8
□ Money Transfers from GF	<u>(\$0.0)</u>
TOTAL	\$250.4



Calculating the FY 2006 Limit

(\$ Millions)

- FY 2005 Actual Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$12,219.6 \times 1.0282 + \$249.1 = \$12,813.2$$



FY 2006 Fiscal Growth Factor

(adopted in November 2004)

	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 2006 Adjustments

(\$ Millions)

□ Program Shifts to GF	\$133.8
□ Program Shifts from GF	(\$14.3)
□ Money Transfers to GF	\$131.4
□ Money Transfers from GF	<u>(\$1.8)</u>
TOTAL	\$249.1



FY 2007 Limit Projection

(\$ Millions)

- FY 2006 Projected Limit
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$12,813.2 \times 1.03338 + \$73.2 = \$13,319.6$$



FY 2007 Fiscal Growth Factor

(Final Calculation)

	Population Growth	Inflation (IPD)	Growth Factor
2003	0.94%	1.85%	
2004	1.14%	2.05%	
2005	1.44%	2.71%	
3 year average	1.17%	2.21%	3.38%

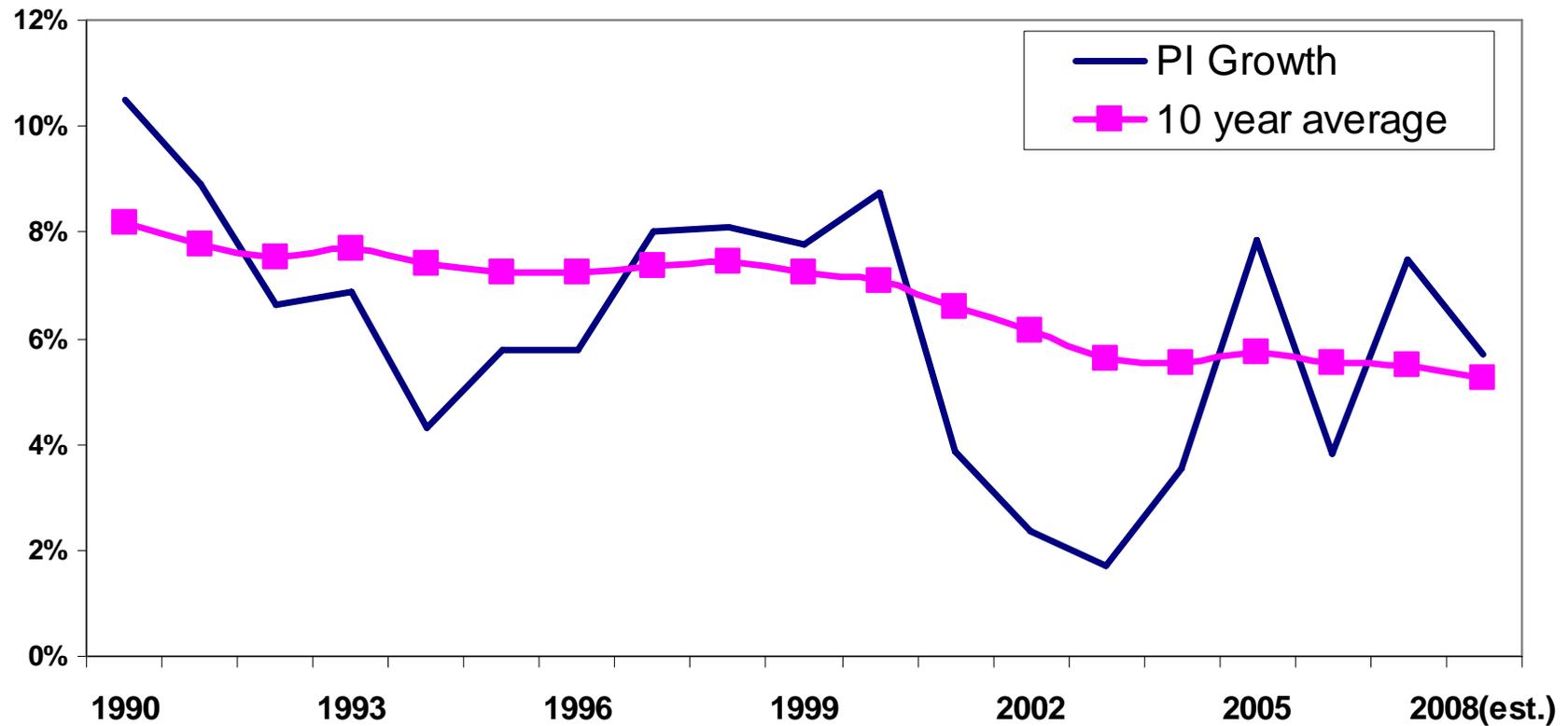


FY 2007 Adjustments

(\$ Millions)

□ Program Shifts to GF	\$0.5
□ Program Shifts from GF	(\$14.5)
□ Money Transfers to GF	\$89.9
□ Money Transfers from GF	<u>(\$2.7)</u>
TOTAL	\$73.2

State Personal Income Growth





FY 2008 Limit

Preliminary calculation (\$ Millions)

- Projected FY 2007 Limit plus appropriations in the new “near GF” accounts
- Multiplied by the Fiscal Growth Factor

$$(\$13,319.6 + \$1,099.5) \times 1.0549 = \$15,210.7$$



FY 2008 Expenditure Base

(\$ Millions)

□ 2007 Projected Limit	\$13,319.6
□ 2007 “near GF” appropriations	
■ PSEA	\$83.7
■ Water Quality Account	\$33.0
■ VRDE	\$52.3
■ Student Achievement Fund	\$314.7
■ Health Services Account	<u>\$615.9</u>
Total	\$1,099.5



FY 2008 Fiscal Growth Factor

(\$ Billions)

□ FY 1997 Personal Income	\$144.998
□ FY 2007 Personal Income	\$247.474
□ 10 year average annual growth	5.49%

Formula: $(247.474/144.998)^{(1/10)}-1$



FY 2009 Limit

Preliminary calculation (\$ Millions)

- FY 2008 Projected Limit
- Multiplied by the Fiscal Growth Factor

$$\$15,210.7 \times (1.0525) = \$16,009.3$$



2009 Fiscal Growth Factor

(\$ Billions)

□ FY 1998 Personal Income	\$156.724
□ FY 2008 Personal Income (est.)	\$261.551
□ 10 year average annual growth	5.25%

Formula: $(261.551/156.724)^{(1/10)}-1$



Spending Limits (\$ Millions)

□ FY 2006	\$12,813.2
□ FY 2007	<u>\$13,319.6</u>
2005-07 Biennium	\$26,132.8

□ FY 2008	\$15,210.7
□ FY 2009	<u>\$16,009.3</u>
2007-09 Biennium	\$31,220.0