

Expenditure Limit Committee

November 14, 2006

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 “related” accounts:
 - Health Services Account
 - Violence Reduction and Drug Enforcement Account
 - Public Safety and Education Account*
 - Water Quality Account
 - Student Achievement Fund

* Including the Equal Justice Sub-Account



601 Basics (cont.)

- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected 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 (“rebasings”)
 - Money transfers and program cost shifts

Statutory Requirements

- ❑ Update the expenditure limit for FY 2006 to reflect actions taken by the 2006 Legislature, including the 2006 budget and ESSB 6896 (Chapter 56 Laws of 2006).
- ❑ Rebase the expenditure limit for FY 2006 to reflect actual expenditures for the purpose of calculating the FY 2007 limit
- ❑ Adjust the expenditure limit for FY 2007 to reflect
 - ❑ Actual FY 2006 expenditures
 - ❑ Money transfers and program cost shifts
- ❑ Update the projected expenditure limit for FY 2008 to reflect
 - ❑ The revised limit for FY 2007
 - ❑ Inclusion of other “related” funds
 - ❑ Changes to the fiscal growth factors
- ❑ Project a new spending limit for FY 2009

FY 2006 Limit

(\$ Millions)

□ Limit adopted Nov. '05*	\$12,813.2
□ Adjustments	<u>\$823.9</u>
□ Adjusted spending limit	\$13,637.1
□ Actual spending level	\$13,620.9

Actual FY06 spending is used to calculate the limit for FY07

* Also, see ESSB 6896, Section 7 (Chapter 56, Laws of 2006)

FY 2006 Adjustments

(\$ Millions)

□ Program Shifts to GF	\$21.2
□ Program Shifts from GF	(\$14.9)
□ Money Transfers to GF	\$ 4.2
□ Money Transfers from GF	(\$11.6)
□ Appropriations made in ESSB 6896* (Funding State Budgetary Reserves)	<u>\$825.0</u>
TOTAL	\$823.9

* (Chapter 56, Laws of 2006)

Calculating the FY 2007 Limit

(\$ Millions)

- FY 2006 Actual Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments
 - 2005 Session: \$73.3*
 - 2006 Session: (\$22.7)

$$\$13,620.9 \times 1.0338 + \$73.3 + (\$22.7) = 14,131.9$$

*Updated and differs slightly from \$73.2 adopted by the ELC in 2005.

FY 2007 Fiscal Growth Factor

(Adopted in November 2005)

	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

from the 2006 Session (\$ Millions)

□ Program Shifts to GF	\$13.8
□ Program Shifts from GF	(\$21.9)
□ Money Transfers to GF	\$2.2
□ Money Transfers from GF	<u>(\$16.8)</u>

TOTAL (\$22.7)

Note: The adjustments shown on this page are in addition to those resulting from legislation passed in 2005.

FY 2008 Limit

Preliminary calculation (\$ Millions)

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

$$(\$14,131.9 + \$1,225.0) \times 1.0553 = \$16,206.2$$

FY 2008 Expenditure Base

(\$ Millions)

□ 2007 Projected Limit	\$14,131.9
□ 2007 “related” appropriations*	
■ PSEA**	\$ 97.4
■ Water Quality Account***	\$ 45.9
■ VRDE	\$ 62.4
■ Student Achievement Fund	\$ 349.8
■ Health Services Account	\$ <u>669.5</u>
Total	\$1,225.0

* These accounts are appropriated on a biennial basis. These figures represent the 2005-07 appropriations less FY06 spending.

** Excludes federal but includes Equal Justice Sub-Account

*** Includes Capital Budget

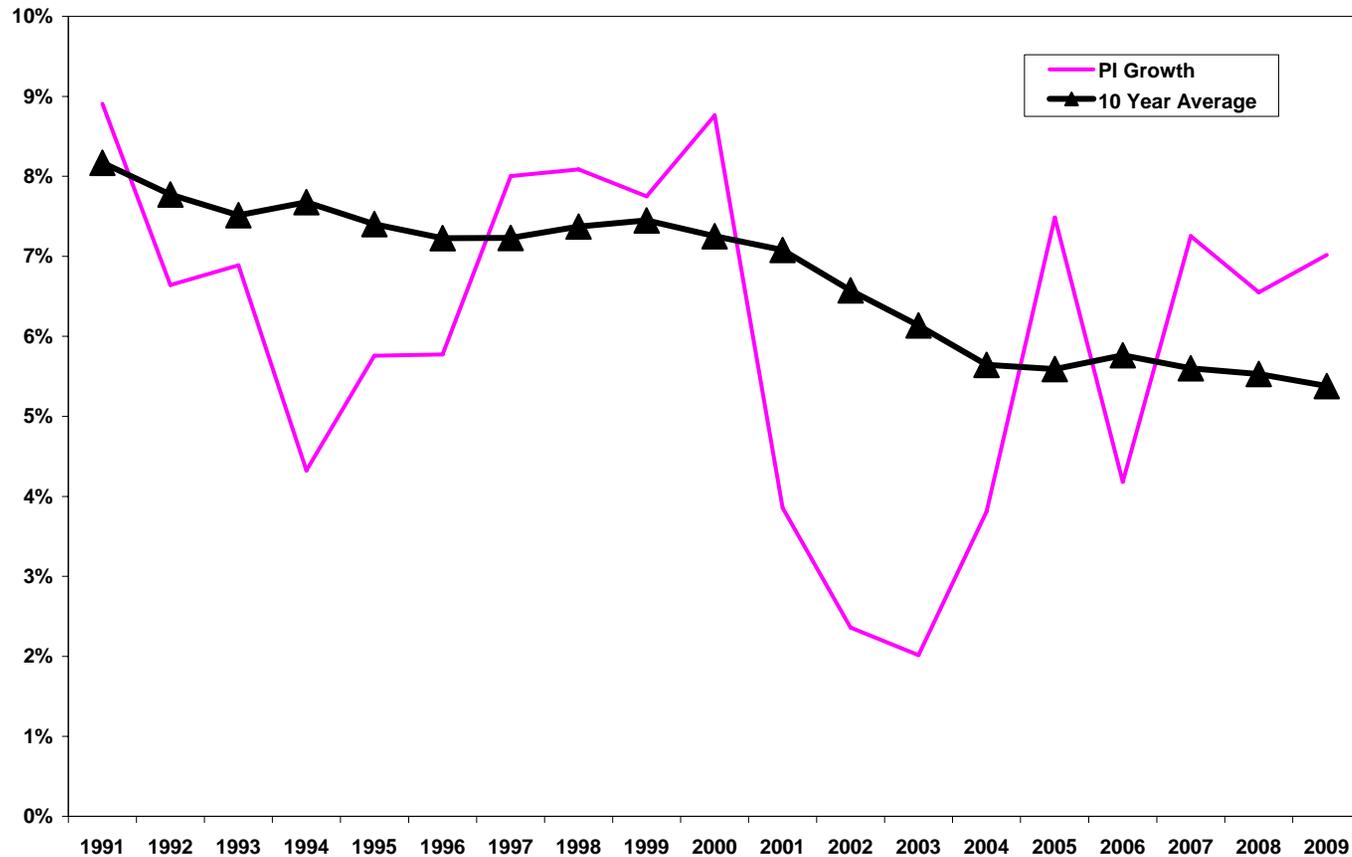
FY 2008 Fiscal Growth Factor

Final Calculation (\$ Billions)

□ FY 1997 Personal Income	\$144.998
□ FY 2007 Personal Income	\$248.344
□ 10 year average annual growth	5.53%

Formula: $(248.344/144.998)^{(1/10)}-1$

State Personal Income Growth



FY 2009 Limit

Preliminary calculation (\$ Millions)

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

$$\$16,206.2 \times (1.0538) = \$17,078.0$$

2009 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

- FY 1998 Personal Income \$156.724
- FY 2008 Personal Income (est.) \$264.612

- 10 year average annual growth 5.38%

Formula: $(264.612/156.724)^{(1/10)}-1$

Spending Limits (\$ Millions)

□ FY 2006*	\$13,620.9
□ FY 2007	<u>\$14,131.9</u>
2005-07 Biennium	\$27,752.8
□ FY 2008**	\$16,206.2
□ FY 2009**	<u>\$17,078.0</u>
2007-09 Biennium	\$33,284.2

* Actual GFS spending for FY 06, used to calculate the limit for FY 2007

** Includes GFS and “related” accounts