

Adjusting and Projecting the State Expenditure Limit

November 15, 2010

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

Expenditure Limit Basics

- Beginning with FY 2008, the limit applied to spending from the General Fund State plus “related” accounts (Health Services Account; Violence Reduction and Drug Enforcement Account; Public Safety and Education Account; Equal Justice Account, Water Quality Account; and the Student Achievement Fund).
- Beginning with FY 2010, these “related” accounts were consolidated into the state general fund.

Expenditure Limit Basics

(cont.)

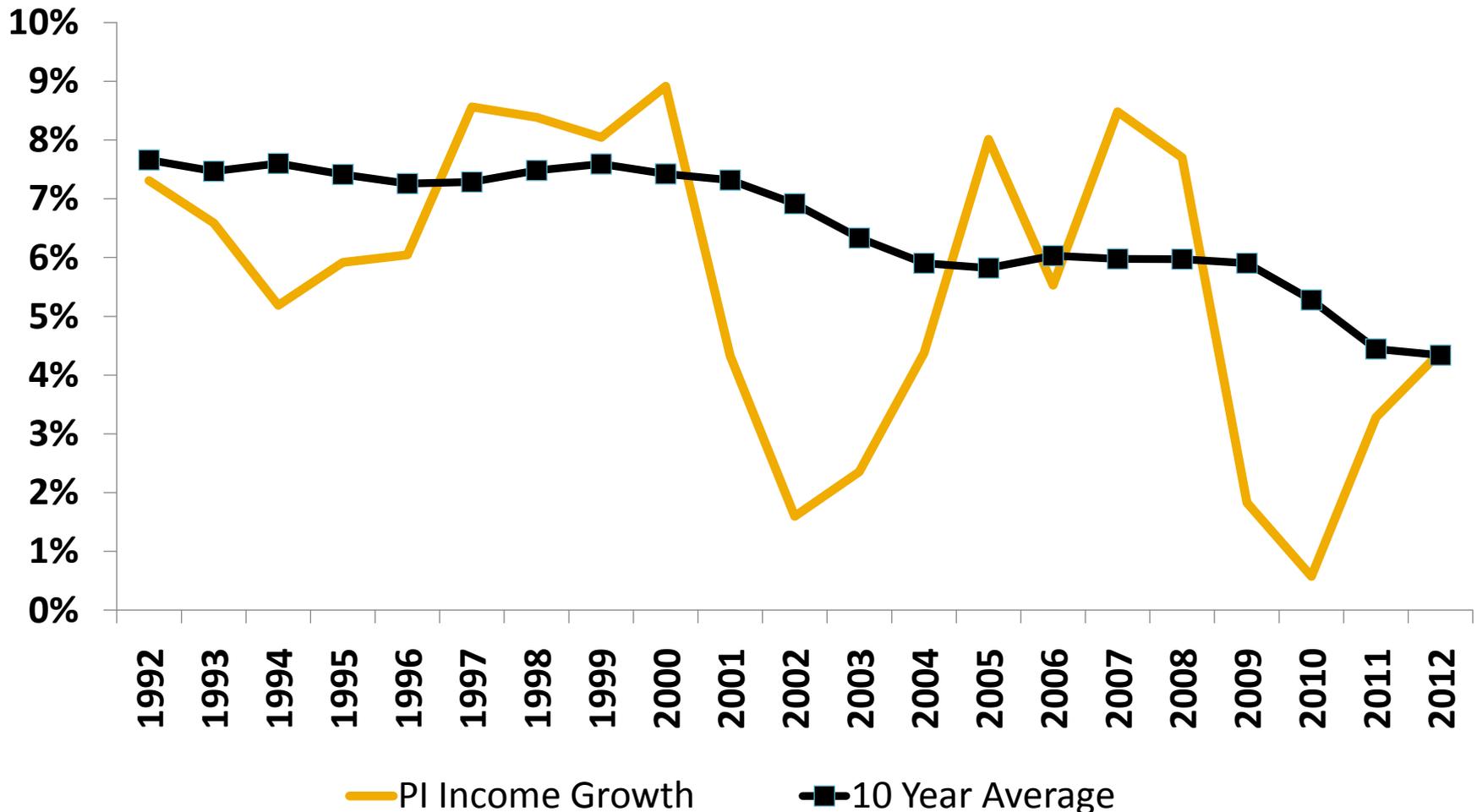
- Each November, the Expenditure Limit Committee adjusts the limit for the previous and current fiscal year, and projects a limit for the following two years.
- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor.”

Expenditure Limit Basics

(cont.)

- 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”)
 - Certain money transfers and program cost shifts

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



Statutory Requirements

- Update the expenditure limit for FY 2010 to reflect actions taken by the 2010 Legislature, including the 2010 supplemental budget.
- Update the projected expenditure limit for FY 2011 to reflect
 - The revised actual expenditures for FY 2010
 - Fiscal growth factor
 - Money transfers and program cost shifts
- Update the expenditure limit for FY 2012 to reflect
 - The revised limit for FY 2011
 - Updated fiscal growth factor
 - Money transfers and program cost shifts
- Project a new spending limit for FY 2013

FY 2010 Limit

Final Calculation (\$ Millions)

■ Limit adopted Nov. '09	\$15,836.1
■ Adjustments (from 2010 session)	<u>(\$ 47.3)</u>
■ Adjusted spending limit	\$15,788.8
■ Actual spending level	\$15,035.6

Actual FY 2010 spending is used to calculate the limit for FY11

FY 2010 Adjustments

(\$ Millions)

■ Program Shifts to GF/Related*	\$73.5
■ Program Shifts from GF/Related	(\$120.8)
■ Money Transfers from GF/Related	<u>(\$ 0)</u>
TOTAL	(\$ 47.3)

* Federal and Local Shifts only.

Calculating the FY 2011 Limit

(\$ Millions)

- FY 2010 Actual GFS Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$15,035.6 \times 1.0417 + \$236.2 = \$15,898.8$$

FY 2011 Expenditure Base

(\$ Millions)

- 2010 Actual Spending - GFS \$15,035.6
- “Related” accounts were combined into the state general fund beginning in FY 2010. (Related accounts included Health Services, Violence Reduction and Drug Enforcement, Public Safety and Education, Equal Justice, Water Quality, and Student Achievement).

FY 2011 Fiscal Growth Factor

Adopted in November, 2009 (\$ Billions)

- FY 2000 Personal Income \$186.876
- FY 2010 Personal Income \$281.111
- 10 year average annual growth 4.17%

Formula: $(281.111/186.876)^{(1/10)}-1$

FY 2011 Adjustments

(\$ Millions)

Adopted in 2010 Session:

- Program Shifts to GF * \$72.5
- Program Shifts from GF (\$814.9)
- Money Transfers from GF (\$102.0)

SUBTOTAL** **(\$844.5)**

Adopted in November 2009: \$1080.7

TOTAL **\$236.2**

* Federal and local shifts.

** Totals may not tie due to rounding.

FY 2012 Limit

Preliminary calculation (\$ Millions)

- FY 2011 Limit
- Multiplied by the Fiscal Growth Factor

$$\$15,898.8 \times 1.0434 = \$16,588.8$$

FY 2012 Fiscal Growth Factor

Final Calculation (\$ Billions)

- FY 2001 Personal Income \$194.962
- FY 2011 Personal Income (est.) \$298.038
- 10 year average annual growth 4.34%

Formula: $(298.083/194.962)^{(1/10)}-1$

FY 2013 Limit

Preliminary projection (\$ Millions)

- Projected FY 2012 Limit
- Multiplied by the Fiscal Growth Factor

$$\text{\$16,588.8} \times 1.0462 = \text{\$17,355.2}$$

2013 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

- FY 2002 Personal Income \$198.074
- FY 2012 Personal Income (est.) \$311.180
- 10 year average annual growth 4.62%

Formula: $(311.180/198.074)^{(1/10)}-1$

Spending Limits

(\$ Millions)

■ FY 2010*	\$15,788.8
■ FY 2011	<u>\$15,898.8</u>
2009-11 Biennium	\$31,687.6
■ FY 2012	\$ 16,588.8
■ FY 2013**	<u>\$ 17,355.2</u>
2011-13 Biennium	\$33,944.0

* The limit for FY 10. Actual GFS spending for FY 2010 (\$15,035.6 m) is used to calculate the limit for FY 2011 (See page 9 for more information).

** Preliminary projection.