# Adjusting and Projecting the State Expenditure Limit

November 2012

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

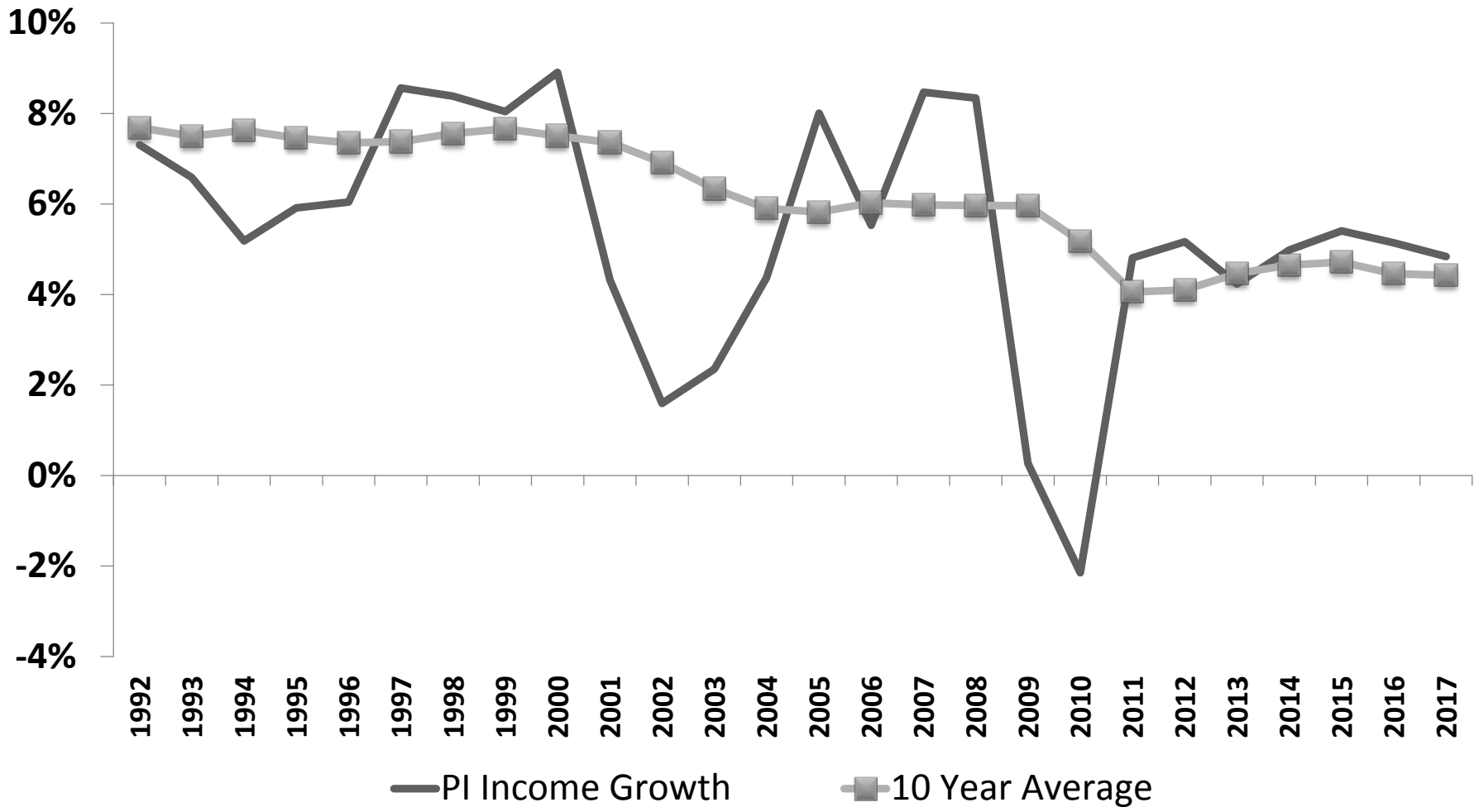
# Expenditure Limit Basics

- 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 ("rebasing")
  - 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 2012 to reflect actions taken by the 2012 Legislature, including the 2012 supplemental budget.
- Update the projected expenditure limit for FY 2013 to reflect
  - The revised actual expenditures for FY 2012
  - Fiscal growth factor
  - Money transfers and program cost shifts
- Update the expenditure limit for FY 2014 to reflect
  - The revised limit for FY 2013
  - Updated fiscal growth factor
  - Money transfers and program cost shifts
- Project a new spending limit for FY 2015

# FY 2012 Limit

## Final Calculation ($ Millions)

| | |
|---|---|
| Limit adopted Nov. '11 | $16,180.2 |
| Adjustments (from 2012 session*) | ($ 56.3 ) |
| Adjusted spending limit | $16,124.0 |
| Actual spending level | $15,279.2 |

Actual FY 2012 spending is used to calculate the limit for FY13

**Including the November/December 2011 special session.*
*Totals may not tie due to rounding.*

# FY 2012 Adjustments

($ Millions)

| | |
|---|---|
| Program Shifts to GF/Related* | $19.8 |
| Program Shifts from GF/Related | ($76.1) |
| Money Transfers from GF/Related | ($0.0) |
| **TOTAL** | **($56.3)** |

* Federal and Local Shifts only.

# Calculating the FY 2013 Limit

($ Millions)

- FY 2012 Actual GFS Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments from 2011 session
- Plus/Minus Adjustments from 2012 session

$15,279.2 x 1.0440 + ($101.3) + $22.4 = $15,872.6

# FY 2013 Fiscal Growth Factor

## Adopted in November, 2011 ($ Billions)

- FY 2002 Personal Income $198.074
- FY 2012 Personal Income (est.) $304.708
- 10 year average annual growth 4.40%

*Formula: (304.708/198.074)^(1/10)-1*

# FY 2013 Adjustments

($ Millions)

- Previously Adopted Adjustments (Nov. 2011) ($101.3)

- Adjustments From 2012 Session
  - Program Shifts to GF/Related* $59.0
  - Program Shifts from GF/Related ($36.6)
  - Money Transfers from GF/Related ($0.0)

**TOTAL (2012) $22.4**

* Federal and Local Shifts only.

# FY 2014 Limit

## Preliminary calculation ($ Millions)

- FY 2013 Limit
- Multiplied by the Fiscal Growth Factor

$15,872.6 x 1.0465 = $16,610.7

# FY 2014 Fiscal Growth Factor

## Final Calculation ($ Billions)

- FY 2003 Personal Income $202.735
- FY 2013 Personal Income (est.) $319.527
- 10 year average annual growth 4.65%

*Formula: (319.527/202.735)^(1/10)-1*

# FY 2015 Limit

## Preliminary projection ($ Millions)

- Projected FY 2014 Limit
- Multiplied by the Fiscal Growth Factor

$16,610.7 x 1.0472 = $17,394.7

# 2015 Fiscal Growth Factor

## Preliminary Calculation ($ Billions)

- FY 2004 Personal Income $211.609
- FY 2014 Personal Income (est.) $335.451
- 10 year average annual growth 4.72%

*Formula: (335.451/211.609)^(1/10)-1*

# FY 2016 Limit

## Unofficial Calculation for Planning Purposes ($ Millions)

- Projected FY 2015 Limit
- Multiplied by the Fiscal Growth Factor

$ 17,394.7 x 1.0446 = $18,170.5

* ***Fiscal growth factor is estimated***

# 2016 Fiscal Growth Factor

## Unofficial Calculation for Planning Purposes ($ Billions)

- FY 2005 Personal Income $228.561
- FY 2015 Personal Income (est.) $353.591
- 10 year average annual growth 4.46%

*Formula: (353.591/228.561)^(1/10)-1*

**** Personal income and fiscal growth factor is estimated.***

# FY 2017 Limit

## Unofficial Calculation for Planning Purposes ($ Millions)

- Projected FY 2016 Limit
- Multiplied by the Fiscal Growth Factor

$ 18,170.5 x 1.0442 = $18,973.6

* ***Fiscal growth factor is estimated***

# 2017 Fiscal Growth Factor

## Unofficial Calculation for Planning Purposes ($ Billions)

- FY 2006 Personal Income $241.199
- FY 2016 Personal Income (est.) $371.786
- 10 year average annual growth 4.42%

*Formula: (371.786/241.199)^(1/10)-1*

**** Personal income and fiscal growth factor is estimated.***

# Adjustments to the Limit for Fiscal Years 2014 to 2017

- Adjustments to the limit are included for fiscal years with an enacted budget in place.
- Most often, adjustments are driven by specific actions contained in the budget.
- Legislation passed in 2012 (SHB 2823) will drive future limit adjustments. For Example, in FY 2016 50% of the solid waste tax will be deposited into the Public Works Assistance account rather than the state general fund, lowering the limit for FY 2016
  - These (and similar) adjustments will be included in the limit calculations as the shifts take effect.

# Spending Limits

($ Millions)

| | |
|---|---|
| FY 2012* | $ 16,124.0 |
| FY 2013 | $ 15,872.6 |
| **2011-13 Biennium** | **$31,996.5** |
| FY 2014 | $ 16,610.7 |
| FY 2015** | $ 17,394.7 |
| **2013-15 Biennium** | **$34,005.4** |
| FY 2016*** | $ 18,170.5 |
| FY 2017*** | $ 18,973.6 |
| **2015-17 Biennium** | **$37,144.1** |

* The limit for FY 12. Actual GFS spending for FY 2012 ($15,279.2 m) is used to calculate the limit for FY 2013 (See page 8 for more information). Totals for this biennium may not tie due to rounding.

** Preliminary projection.

*** Unofficial calculation for planning purposes and not adopted by the ELC.