

Adjusting the Fiscal Growth Factor

November 2016

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

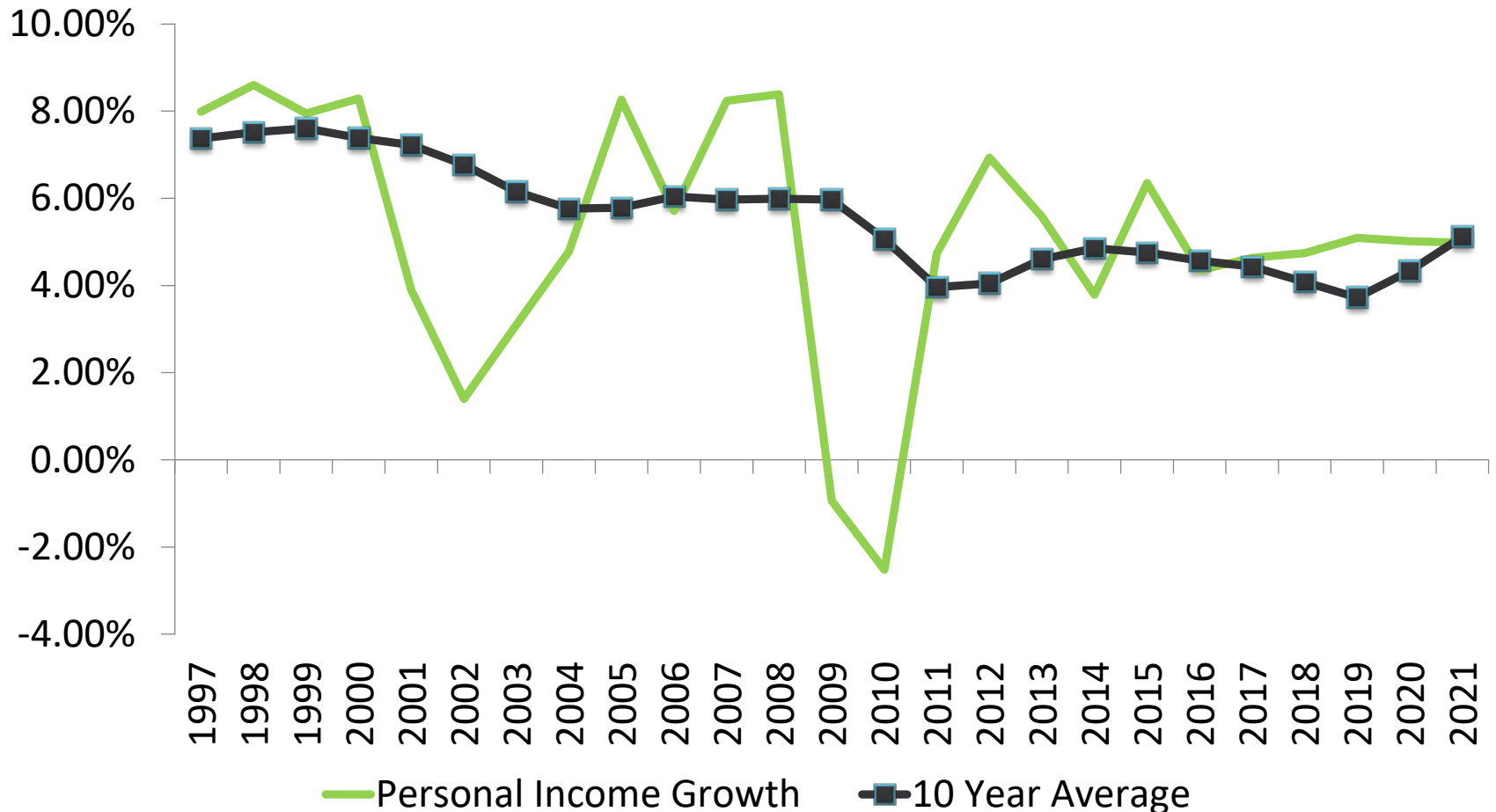
Expenditure Limit Basics

- The projected expenditure limit is calculated by multiplying the previous year's limit by the “fiscal growth factor” and accounting for other adjustments.
- The fiscal growth factor is the average growth in state personal income for the prior ten fiscal years.
- The fiscal growth factor is set once adopted by the expenditure limit committee and not updated for any subsequent revisions to the data.
- The expenditure limit is suspended under current law until Fiscal Year 2022

Other Uses of the Fiscal Growth Factor

- The fiscal growth factor required for calculating the expenditure limit is used for other purposes in statute including:
 - Determining amounts that specific fees may or must be raised by
 - Determining increases to be made for specific transfers and local distributions

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



Fiscal Growth Factors

(\$ Billions)

Fiscal Year	Fiscal Growth Factor	Status
FY 2016	4.33%	Adopted November 2014
FY 2017	4.37%	Adopted November 2015
FY 2018	4.08%	Final
FY 2019	3.72%	Subject to Revision
FY 2020	4.34%	Unofficial
FY 2021	5.12%	Unofficial

FY 2016 Fiscal Growth Factor

Adopted in November 2014 (\$ Billions)

■ FY 2005 Personal Income	\$233.104
■ FY 2015 Personal Income (est.)	\$356.249
■ 10 year average annual growth	4.33%

Formula: $(356.249 / 233.104)^{(1/10)} - 1$

2017 Fiscal Growth Factor

Final Calculation (\$ Billions)

■ FY 2006 Personal Income	\$246.415
■ FY 2016 Personal Income (est.)	\$377.809
■ 10 year average annual growth	4.37%

Formula: $(377.809/246.415)^{(1/10)}-1$

2018 Fiscal Growth Factor

Proposed Final Calculation (\$ Billions)

■ FY 2007 Personal Income	\$267.172
■ FY 2017 Personal Income (est.)	\$398.499
■ 10 year average annual growth	4.08%

Formula: $(398.499/267.172)^{(1/10)}-1$

2019 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

■ FY 2008 Personal Income	\$289.579
■ FY 2018 Personal Income (est.)	\$417.401
■ 10 year average annual growth	3.72%

Formula: $(417.401/289.579)^{(1/10)}-1$

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

2020 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

■ FY 2009 Personal Income	\$286.848
■ FY 2019 Personal Income (est.)	\$438.667
■ 10 year average annual growth	4.34%

Formula: $(438.667/286.848)^{(1/10)}-1$

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

2021 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes(\$ Billions)

■ FY 2010 Personal Income	\$279.605
■ FY 2020 Personal Income (est.)	\$460.656
■ 10 year average annual growth	5.12%

Formula: $(460.656/279.605)^{(1/10)}-1$

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