

Adjusting the Fiscal Growth Factor

November 2018

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

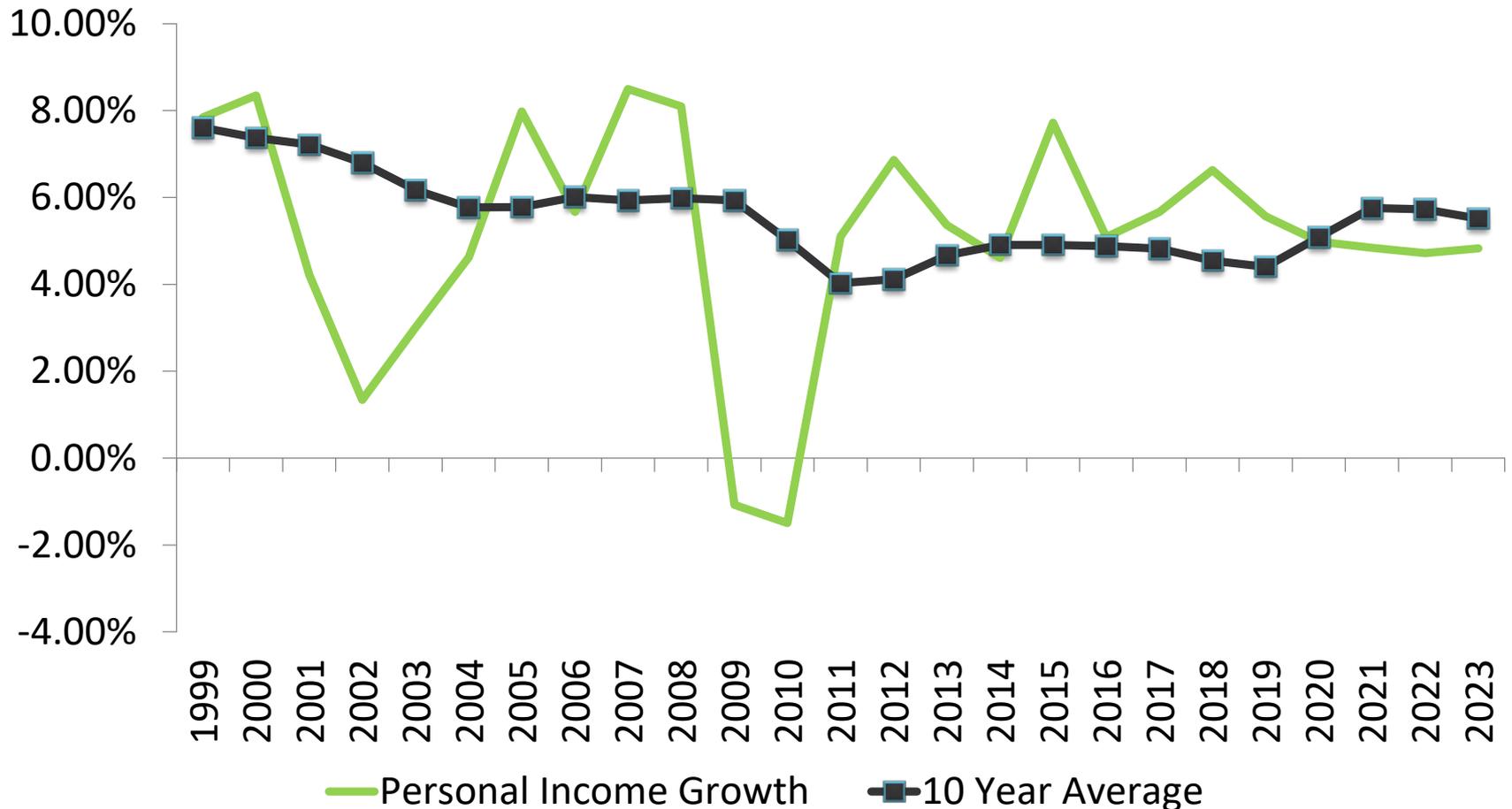
Expenditure Limit Basics

- 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 2018	4.08%	Adopted November 2016
FY 2019	4.00%	Adopted November 2017
FY 2020	5.08%	Proposed Final
FY 2021	5.76%	Subject to Revision
FY 2022	5.73%	Unofficial
FY 2023	5.51%	Unofficial

2018 Fiscal Growth Factor

Adopted in November 2016 (\$ 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

Adopted in November 2017 (\$ Billions)

■ FY 2008 Personal Income	\$289.579
■ FY 2018 Personal Income (est.)	\$428.606
■ 10 year average annual growth	4.00%

Formula: $(428.606/289.579)^{(1/10)}-1$

2020 Fiscal Growth Factor

Proposed Final Calculation (\$ Billions)

■ FY 2009 Personal Income	\$285.384
■ FY 2019 Personal Income (est.)	\$468.587
■ 10 year average annual growth	5.08%

Formula: $(468.587/285.384)^{(1/10)}-1$

2021 Fiscal Growth Factor

Preliminary Calculation (\$ Billions)

■ FY 2010 Personal Income	\$281.116
■ FY 2020 Personal Income (est.)	\$491.938
■ 10 year average annual growth	5.76%

Formula: $(491.938/281.116)^{(1/10)}-1$

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

2022 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

■ FY 2011 Personal Income	\$295.468
■ FY 2021 Personal Income (est.)	\$515.741
■ 10 year average annual growth	5.73%

Formula: $(515.741/295.468)^{(1/10)}-1$

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

2023 Fiscal Growth Factor

Unofficial Calculation for Planning Purposes (\$ Billions)

■ FY 2012 Personal Income	\$315.749
■ FY 2022 Personal Income (est.)	\$540.058
■ 10 year average annual growth	5.51%

Formula: $(540.058/315.749)^{(1/10)}-1$

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