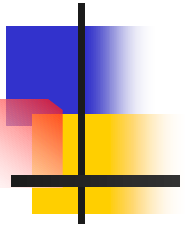


Expenditure Limit Committee



November 12, 2003



601 Basics

The expenditure limit applies to General Fund-State expenditures only.

Each November, the Expenditure Limit Committee adjusts the expenditure limit for the previous year and projects a limit for the following two years.

The “baseline” expenditure limit is calculated by multiplying the previous year’s limit by the “fiscal growth factor.”



601 Basics (cont.)

The fiscal growth factor is a three year average of inflation plus population growth.

The baseline expenditure limit is adjusted for:

- actual expenditures in the previous fiscal year (called “re-basing”).
- and for ***money transfers*** and ***program cost shifts*** to and from the General Fund.



Statutory Requirements

Update the expenditure limit for FY 2003 to reflect fund shifts adopted in the 2003 Supplemental budget

Rebase the expenditure limit for FY 2003 to actual expenditures for purposes of calculating the FY 2004 limit

Adjust the expenditure limit for FY 2004 to reflect

- actual FY 2003 expenditures
- money transfers and program cost shifts

Update the expenditure limit for FY 2005 to reflect:

- the revised limit for FY 2004
- changes to the fiscal growth factors
- money transfers and program cost shifts

Project a new spending limit for FY 2006



FY 2003 Limit

■ Limit adopted 11/02	\$11,935.5
■ Adjustments	<u>(\$13.6)</u>
■ Adjusted Spending Limit	\$11,921.9
■ Spending Below the Limit	(\$591.0)
■ Actual Spending Level	\$11,330.9

(The actual spending level becomes the spending limit for the purpose of calculating future spending limits.)



FY 2003 Adjustments

Money Transfers to GF-S	\$ 9.0
Program Cost Shifts to GF-S	15.0
Program Cost Shifts from GF-S	<u>(37.7)</u>
	(\$13.6)



Calculating the FY 2004 Limit

- FY 2003 Actual Spending
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$11,330.9 \times (1.0320) - 50.7 = \$11,642.8$$



2004 Fiscal Growth Factor

(Calculated in Nov. 2002)

	Population Growth	Inflation (IPD)	Growth Factor
2000	1.09%	2.22%	
2001	1.37%	2.47%	
2002	1.12%	1.33%	
3 year average	1.19%	2.01%	3.20%



FY 2004 Adjustments

Money Transfers to GF-S	\$41.8
Money Transfers from GF-S	0.0
Program Cost Shifts to GF-S	8.6
Program Cost Shifts from GF-S	<u>(101.1)</u>
	(\$50.7)



FY 2005 Limit Projection

- FY 2004 Spending Limit
- Multiplied by the Fiscal Growth Factor
- Plus/Minus Adjustments

$$\$11,642.8 \times (1.0303) + 35.4 = \$12,031.0$$



FY 2005 Fiscal Growth Factor

(Officially established)

	Population Growth	Inflation (IPD)	Growth Factor
2001	1.37%	2.47%	
2002	1.12%	1.33%	
2003	0.94%	1.86%	
3 year average	1.14%	1.89%	3.03%



FY 2005 Adjustments

Money Transfers to GF-S	\$39.4
Money Transfers from GF-S	0.0
Program Cost Shifts to GF-S	7.2
Program Cost Shifts from GF-S	<u>(11.2)</u>
	\$35.4



FY 2006 Limit Projection

- FY 2005 Projected Limit
- Multiplied by the Fiscal Growth Factor

$$\$12,031.0 \times (1.0262) = \$12,346.2$$



2006 Fiscal Growth Factor

(Preliminary calculation)

	Population Growth	Inflation (IPD)	Growth Factor
2002	1.12%	1.33%	
2003	0.94%	1.86%	
2004	1.07%	1.54%	
3 year average	1.04%	1.58%	2.62%



Proposed Spending Limits

FY 2003 (actual exp.) \$11,330.9

FY 2004 Limit \$11,642.8

FY 2005 Limit \$12,031.0

2003-05 Biennium \$23,673.8

FY 2006 Limit (projected) \$12,346.2

FY 2007 Limit (unofficial) \$12,679.6

2005-07 Biennium \$25,025.8