

Overview of 6 Year Outlook Methodology

Step 1 – Based on 2005-07 actual GF-S spending (through phase IV) compiled by LEAP, provide a proportional breakout of spending in the following functional areas: medical assistance; other health care; state employee health benefits; K-12 employee health benefits; other human services; public schools; special appropriation; and all other. *This is reflected on the proportion 1 tab in the excel file.*

Step 2 – Remove 2005-07 appropriations into other accounts since these are non-recurring costs. This should get to a more accurate picture of the proportions of the budget in those areas going forward. *This is reflected on the proportion 1 tab in the excel file.*

Step 3 – Apply the functional area proportions resulting from steps 1 & 2 to the fiscal year 2009 GF-S appropriation level. *This is reflected on the proportion 2 tab in the excel file.*

Step 4 – Based on 2005-07 actual GF-S FTEs (through phase IV) compiled by LEAP plus estimated K-12 state funded FTEs, provide a proportional breakout of FTEs in the same functional areas cited above. *This is reflected on the proportion 2 tab in the excel file.*

Step 5 - Since we have developed an estimate (confirmed by OFM) of approximately \$150 million in GF-S pension funding in the fiscal year 2009 appropriation level, this funding is backed out from each of the functional areas on the basis of the relative GF-S FTE shares calculated in step 4. Additionally, the Governor's \$22 million (down in 2008 and up in 2009) supplemental adjustment is incorporated. *This is reflected on proportion 2 tab in the excel file.*

Step 6 – Isolate debt service from the other part of special appropriations and move this part to the "all other" functional area. This is done because debt service is growing much faster than those other components and it would not be appropriate to assume they will grow at the debt service rate. *This is reflected on proportion 3 tab in the excel file.*

Step 7 - For each of the functional areas, differential growth rates are assumed based on historical trends and/or projections produced by the analysts for those respective areas. *These are depicted on the assumptions tab in excel file.*

Step 8 – The needed pension amounts are calculated based on the amount estimated to be in the fiscal year 2009 base, the amount in Pension Stabilization Funding in fiscal year 2009, and the need additional increment to get to the State Actuary estimate. *See pension 1 & 2 tabs in the excel file.*

Step 9 – Calculate the projected shortfalls in some of the other near general fund accounts and reflect the need to potentially use GF-S resources to cover those

deficits. *These and the results from all the other steps above are reflected on the annual tab in the excel file.*

Step 10 - Include the Governor's proposed 2008 supplemental, including errata, changes to revenues and expenditures. *This is reflected in the annual tab in the excel file.*