

Kurt Kawafuchi, Chair

Council on Revenues

Senate Ways and Means / House Finance Joint Hearing

January 21, 2016

TABLE 1
KEY ECONOMIC INDICATORS FY 2015: ACTUAL VS FORECASTS
(Annual percentage growth rate)

Indicators	Actual	Forecast			
		September 2014	January 2015	March 2015	May 2015
Hawaii Total Personal Income (Real growth)	3.2	2.3	2.3	2.4	2.5
Hawaii Total Personal Income (Nominal)	4.7	4.3	4.0	4.1	4.1
Construction Completed	7.4	11.5	9.3	7.3	7.4
Honolulu CPIU (1982-1984 = 100)	1.3	1.9	1.7	1.7	1.6
Visitor Arrivals by Air	4.0	1.5	1.7	2.3	2.3
U.S. GDP	4.0	4.3	4.4	4.3	3.9
Calendar Year Wages	5.0	3.9	3.5	3.6	3.6
Visitor Expenditures	3.4	2.5	2.8	3.0	2.2

TABLE 2
STATE GENERAL FUND TAX REVENUES, FY 2015: FORECASTS VS. ACTUAL

		FORECAST DATE							
		Actual	September 2014		January 2015		March 2015		May 2015
Type of Tax	(\$mil.)	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error
General Excise and Use Tax	2,993	2,967	-0.8%	2,974	-0.6%	2,984	-0.3%	3,017	0.8%
Individual Income Tax	1,988	1,801	-9.4%	1,848	-7.0%	1,887	-5.1%	1,961	-1.3%
Corporate Income Tax	52	75	43.6%	75	43.7%	76	45.8%	76	45.5%
Public Service Company Tax	163	172	5.1%	171	4.5%	171	4.4%	170	-4.1%
Tax on Insurance Premiums	146	141	-3.1%	142	-2.4%	143	-1.7%	145	-0.3%
Cigarette and Tobacco Tax	83	77	-6.7%	77	-6.6%	77	-6.6%	77	-6.7%
Liquor Tax	50	49	-3.0%	49	-3.4%	49	-3.3%	48	-3.6%
Tax on Banks and Other Financial Corps.	18	42	131.8%	42	131.8%	42	131.8%	42	131.8%
Inheritance and Estate Tax	12	15	24.8%	15	24.4%	15	24.3%	15	24.1%
Conveyance Tax	12	12	2.3%	12	3.3%	12	4.4%	12	6.3%
Miscellaneous Taxes*	16	16	3.9%	16	4.0%	16	4.0%	16	4.0%
Transient Accommodations Tax	203	191	-6.0%	191	-6.0%	193	-4.8%	192	-5.2%
GENERAL FUND TOTAL	5,735	5,558	-3.1%	5,612	-2.1%	5,666	-1.2%	5,773	0.7%
Growth rate	6.8%	3.5%	-	4.5%	-	5.5%	-	7.5%	-

*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the General Fund from the environmental response, energy and food security tax.

TABLE 2A

STATE GENERAL FUND TAX REVENUES, FY 2014: FORECASTS VS. ACTUAL

		FORECAST DATE							
		Actual	September 2013		January 2014		March 2014		May 2014
Type of Tax	(\$mil.)	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error
General Excise and Use Tax	2,825	3,021	6.9%	2,987	5.7%	2,916	3.2%	2,882	2.0%
Individual Income Tax	1,745	1,891	8.3%	1,889	8.2%	1,802	3.2%	1,820	4.3%
Corporate Income Tax	87	79	-8.8%	78	-10.7%	65	-25.7%	65	-25.4%
Public Service Company Tax	166	169	2.0%	169	1.7%	169	1.7%	168	1.4%
Tax on Insurance Premiums	137	139	1.2%	139	1.0%	136	-0.8%	136	-0.6%
Cigarette and Tobacco Tax	78	81	4.5%	81	4.4%	81	4.4%	81	4.5%
Liquor Tax	48	50	2.9%	49	2.3%	49	1.9%	49	1.3%
Tax on Banks and Other Financial Corps.	37	23	-37.4%	23	-37.5%	23	-37.2%	23	-37.2%
Inheritance and Estate Tax	15	15	2.5%	15	2.1%	15	2.3%	15	2.2%
Conveyance Tax	27	20	-22.8%	20	-23.0%	20	-24.8%	20	-24.6%
Miscellaneous Taxes*	18	19	3.4%	19	3.5%	19	3.3%	19	3.3%
Transient Accommodations Tax	187	183	-2.1%	177	-5.3%	172	-8.3%	166	-11.2%
GENERAL FUND TOTAL	5,370	5,690	6.0%	5,647	5.2%	5,467	1.8%	5,445	1.4%
Growth rate	-1.8%	4.1%	-	3.3%	-	0.0%	-	-0.4%	-

*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the General Fund from the environmental response, energy and food security tax.

TABLE 3
STATE GENERAL FUND TAX REVENUES,
FORECASTS VS ACTUAL DATA: MARCH 2010 TO MARCH 2015

(In millions of dollars unless otherwise specified)

March 2010	FY 2010	FY 2011	FY 2012	Total
Forecast	4,047.2	4,343.1	4,603.7	12,994.0
Actual	4,364.6	4,329.3	4,973.8	13,667.7
Error	-7.3%	0.3%	-7.4%	-4.9%

March 2011	FY 2011	FY 2012	FY 2013	Total
Forecast	4,294.7	4,767.1	5,053.2	14,115.0
Actual	4,329.3	4,973.8	5,466.9	14,770.0
Error	-0.8%	-4.2%	-7.6%	-4.4%

March 2012	FY 2012	FY 2013	FY 2014	Total
Forecast	4,848.4	5,212.5	5,421.0	15,481.9
Actual	4,973.8	5,466.9	5,370.3	15,811.0
Error	-2.5%	-4.7%	0.9%	-2.1%

March 2013	FY 2013	FY 2014	FY 2015	Total
Forecast	5,309.5	5,699.2	6,084.2	17,092.9
Actual	5,466.9	5,370.3	5,735.1	16,572.3
Error	-2.9%	6.1%	6.1%	3.1%

March 2014	FY 2014	FY2015	FY 2016	Total
Forecast	5,309.5	5,699.2	6,084.2	17,092.9
Actual	5,370.3	5,735.1	n.a.	n.a.
Error	-1.1%	-0.6%	n.a.	n.a.

March 2015	FY 2015	FY 2016	FY 2017	Total
Forecast	5,665.6	5,977.2	6,306.0	17,948.8
Actual	5,735.1	n.a.	n.a.	n.a.
Error	-1.2%	n.a.	n.a.	n.a.

TABLE 4
SELECTED ECONOMIC DATA: FY 2014 TO FY 2016

	FY 2014					FY 2015					FY 2016
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
1. U.S. GDP in Current Dollars (in billion)	16,728	16,958	16,984	17,270	16,985	17,522	17,616	17,649	17,913	17,609	18,060
2. U.S. GDP Implicit Price Deflator (2009=100)	107.1	107.6	108.0	108.6	107.8	109.0	109.1	109.1	109.7	109.2	110.0
3. Construction (\$ mil.)	1,845	1,690	1,702	1,815	7,053	1,779	1,792	1,761	2,042	7,374	na
4. Total Private Building Authorizations (\$ mil.)	688	689	758	806	2,942	790	961	1,298	840	3,888	892
5. Total Wages (\$ mil.)	6,688	7,113	6,923	6,852	27,576	7,010	7,493	7,222	7,148	28,872	na
6. Total Personal Income (\$ mil.)	62,635	63,109	64,149	65,075	63,742	65,791	66,378	67,178	68,035	66,846	68,919
7. Visitor Arrivals by Air (1,000)											
a. Total State	2,077	1,928	2,026	2,009	8,041	2,117	2,032	2,085	2,131	8,365	2,198
b. Domestic	1,393	1,257	1,316	1,399	5,365	1,420	1,337	1,369	1,504	5,631	1,482
c. International	685	672	710	610	2,676	696	695	716	628	2,734	716
8. Average Daily Visitor Census (1,000)											
a. Total State	205	196	217	197	204	204	204	223	207	210	211
b. Domestic	150	142	154	149	149	151	148	158	156	153	154
c. International	55	54	63	49	55	53	56	65	51	56	57
9. Honolulu CPIU (1982-84=100) 1/	255	255	256	256	255	259	259	258	258	259	na
10. State General Fund Tax Revenue (\$ mil.)	1,311	1,285	1,287	1,487	5,370	1,349	1,413	1,445	1,529	5,735	1,593
11. General Excise & Use Tax (\$ mil.)	699	694	747	741	2,881	754	738	782	774	3,048	831
12. Individual Income Tax (\$ mil.)											
a. Net Individual Income Tax	454	424	347	521	1,746	453	500	464	571	1,988	520
b. Declaration of Estimated Taxes	94	35	102	214	445	68	65	117	249	498	120
c. Withholding Tax on Wages	389	405	425	406	1,625	413	440	436	440	1,729	438
13. TAT (\$ mil.)	98	86	109	102	395	107	90	114	110	421	115
14. Civilian Unemployment Rate (%)	4.8	4.8	4.6	4.6	4.7	4.3	4.0	4.1	4.1	4.1	3.4
15. Non-Agricultural Wage and Salary Jobs (1,000)	615	630	623	625	623	621	632	629	633	629	632
16. Hotel Occupancy Rate (%)	77.8	72.3	80.8	74.0	76.2	78.7	75.0	80.1	77.9	77.9	79.9
17. Hotel Average Daily Room Rate (\$/day)	233	226	244	222	231	237	246	252	234	242	242

1/Data are for every 6 months.

na - not available.

TABLE 4 (CONTINUED)
SELECTED ECONOMIC DATA: FY 2014 TO FY 2016

	FY 2014					FY 2015					FY 2016
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
1. U.S. GDP in Current Dollars	3.1%	4.1%	3.3%	4.5%	3.7%	4.8%	3.9%	3.9%	3.7%	3.7%	3.1%
2. U.S. GDP Implicit Price Deflator (2009=100)	1.5%	1.6%	1.5%	1.9%	1.6%	1.8%	1.4%	1.0%	1.0%	1.3%	0.9%
3. Construction	-3.6%	-14.9%	-2.2%	-6.3%	-6.9%	-3.6%	6.0%	3.4%	12.5%	4.6%	na
4. Total Private Building Authorizations	0.3%	-8.5%	20.6%	12.9%	5.7%	14.7%	39.4%	71.1%	4.2%	32.1%	13.0%
5. Total Wages	3.4%	2.4%	3.8%	3.9%	3.3%	4.8%	5.3%	4.3%	4.3%	4.7%	na
6. Total Personal Income	1.1%	-0.1%	3.8%	4.7%	2.4%	5.0%	5.2%	4.7%	4.5%	4.9%	4.8%
7. Visitor Arrivals by Air											
a. Total State	1.7%	-2.6%	0.2%	1.7%	0.3%	1.9%	5.4%	2.9%	6.1%	4.0%	3.8%
b. Domestic	0.2%	-6.5%	-2.9%	0.0%	-2.3%	2.0%	6.4%	4.0%	7.4%	5.0%	4.3%
c. International	4.8%	5.5%	6.5%	6.0%	5.7%	1.7%	3.4%	0.8%	2.9%	2.2%	2.8%
8. Average Daily Visitor Census											
a. Total State	1.8%	-3.0%	0.3%	1.4%	0.1%	-0.5%	4.2%	2.9%	4.9%	2.8%	3.7%
b. Domestic	1.1%	-4.8%	-1.6%	0.2%	-1.3%	0.5%	4.1%	2.3%	5.1%	3.0%	2.4%
c. International	3.7%	2.3%	5.2%	5.8%	4.2%	-3.9%	4.4%	4.4%	4.4%	2.4%	7.6%
9. Honolulu CPIU (1982-84=100) 1/	1.7%	1.7%	1.1%	1.1%	1.4%	1.8%	1.8%	0.7%	0.7%	1.3%	na
10. State General Fund Tax Revenue	-2.7%	1.2%	0.3%	-5.4%	-1.8%	2.9%	9.9%	12.2%	2.8%	6.8%	18.1%
11. General Excise & Use Tax	-5.4%	0.5%	-1.5%	-2.1%	-2.2%	8.0%	6.3%	4.8%	4.4%	5.8%	10.2%
12. Individual Income Tax											
a. Net Individual Income Tax	4.3%	-2.1%	-1.3%	0.9%	0.6%	-0.2%	17.9%	33.8%	9.6%	13.9%	14.8%
b. Declaration of Estimated Taxes	36.4%	-22.1%	9.6%	-17.6%	-4.6%	-27.6%	86.7%	14.3%	16.1%	11.9%	75.5%
c. Withholding Tax on Wages	3.1%	2.3%	5.6%	4.9%	4.0%	6.2%	8.6%	2.4%	8.5%	6.4%	6.2%
13. TAT	8.1%	11.3%	5.7%	4.7%	7.2%	8.7%	5.0%	4.9%	7.4%	6.5%	7.9%
14. Civilian Unemployment Rate (change)	-1.1	-0.4	-0.3	-0.3	-0.5	-0.5	-0.8	-0.5	-0.5	-0.6	-0.9
15. Non-Agricultural Wage and Salary Jobs	1.8%	1.7%	1.9%	1.2%	1.7%	0.9%	0.3%	0.9%	1.2%	0.8%	1.7%
16. Hotel Occupancy Rate (change)	-1.1	-2.2	-1.2	-0.2	-1.2	0.9	2.7	-0.7	3.9	1.7	1.2
17. Hotel Average Daily Room Rate	13.1%	9.2%	3.4%	0.9%	6.4%	1.7%	9.0%	3.3%	5.5%	4.8%	3.5%

1/Data are for every 6 months.

na - not available.

TABLE 5
FORECASTS OF KEY ECONOMIC INDICATORS FROM THE MEETING
OF JANUARY 7, 2016: FY 2016 to FY 2022

Fiscal Year	2016	2017	2018	2019	2020	2021	2022
	A. VALUE						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	26,689	27,394	28,032	28,635	29,213	29,780	30,334
Hawaii Total Personal Income (\$Millions)	69,979	73,331	76,807	80,263	83,738	87,222	90,702
Construction Completed (\$Millions)	8,165	9,152	9,914	10,529	11,015	11,410	11,798
Honolulu CPIU (1982-1984 = 100)	262	268	274	280	286	292	298
Visitor Arrivals by Air (Thousands)	8,633	8,826	9,016	9,203	9,383	9,562	9,742
U.S. GDP (\$ Billions)	18,289	18,969	19,661	20,353	21,073	21,819	22,589
U.S. GDP Deflator (2005 = 100)	121	123	125	127	129	131	133
Calendar Year Wages (\$Millions)	30,149	31,403	32,681	33,874	35,043	36,192	37,321
Visitor Expenditures (\$Millions)	15,444	15,964	16,510	17,055	17,621	18,190	18,768
Hawaii Real GDP (2009 Constant Million Dollars)	72,933	74,625	76,229	77,754	79,231	80,705	82,182
	B. ANNUAL PERCENTAGE GROWTH RATE						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	3.2	2.6	2.3	2.2	2.0	1.9	1.9
Hawaii Total Personal Income (\$Millions)	4.7	4.8	4.7	4.5	4.3	4.2	4.0
Construction Completed (\$Millions)	14.9	12.1	8.3	6.2	4.6	3.6	3.4
Honolulu CPIU (1982-1984 = 100)	1.4	2.1	2.4	2.3	2.3	2.2	2.1
Visitor Arrivals by Air (Thousands)	3.2	2.2	2.2	2.1	2.0	1.9	1.9
U.S. GDP (\$ Billions)	3.5	3.7	3.7	3.5	3.5	3.5	3.5
U.S. GDP Deflator (2005 = 100)	1.3	1.6	1.7	1.7	1.8	1.8	1.8
Calendar Year Wages (\$Millions)	4.1	4.2	4.1	3.7	3.5	3.3	3.1
Visitor Expenditures (\$Millions)	2.7	3.4	3.4	3.3	3.3	3.2	3.2
Hawaii Real GDP (2009 Constant Million Dollars)	2.4	2.3	2.2	2.0	1.9	1.9	1.8

TABLE 6
ESTIMATES OF GENERAL FUND TAX REVENUE FROM THE MEETING
OF JANUARY 7, 2016: FY 2016 TO FY 2022¹
(In thousands of dollars unless otherwise specified)

TYPE OF TAX	BASE		ESTIMATED						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Excise and Use Tax	2,825,041	2,992,707	3,197,573	3,373,680	3,536,407	3,690,803	3,823,016	3,969,277	4,115,772
Individual Income Tax	1,745,312	1,987,752	2,085,500	2,190,098	2,329,500	2,480,039	2,584,943	2,734,629	2,888,888
Corporate Income Tax	87,021	52,319	82,683	85,684	95,972	96,181	144,250	141,500	148,825
Public Service Company Tax	166,179	163,481	167,469	172,598	178,075	183,888	189,993	196,335	202,889
Tax on Insurance Premiums	137,179	145,679	150,576	157,146	163,302	169,668	175,104	181,758	188,442
Cigarette and Tobacco Tax	77,659	82,829	87,198	90,900	93,939	97,458	100,931	104,599	108,361
Liquor Tax	48,305	50,281	50,532	50,969	51,444	51,949	52,479	53,023	53,574
Tax on Banks and Other Financial Corps.	36,983	17,930	10,595	19,500	24,878	21,895	20,407	22,528	23,791
Inheritance and Estate Tax	14,789	12,071	12,232	12,436	12,651	12,876	13,109	13,348	13,591
Conveyance Tax	26,508	11,534	32,869	34,751	36,536	38,405	40,019	42,014	44,041
Miscellaneous Taxes*	18,063	15,588	16,262	16,263	16,263	16,262	16,260	16,258	16,257
Transient Accommodations Tax	187,229	202,970	225,906	251,937	272,073	292,168	312,903	334,449	356,724
GENERAL FUND TOTAL	5,370,268	5,735,141	6,119,395	6,455,962	6,811,040	7,151,592	7,473,414	7,809,718	8,161,155
GROWTH RATE	-1.8%	6.8%	6.7%	5.5%	5.5%	5.0%	4.5%	4.5%	4.5%

¹ Line item projections generated by Tax Research & Planning Office to be consistent with the Council's forecast for the total General Fund tax revenues.

*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the general fund from the environmental response, energy and food security tax.