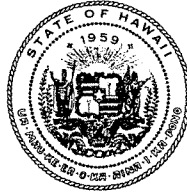


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## COUNCIL ON REVENUES

STATE OF HAWAII  
P.O. BOX 259  
HONOLULU, HAWAII 96809

May 23, 2007

The Honorable Linda Lingle  
Governor, State of Hawaii  
Executive Chambers  
State Capitol, Fifth Floor  
Honolulu, Hawaii 96813

Dear Governor Lingle:

At its meeting on May 21, 2007, the Council on Revenues decided to update its current forecasts of General Fund tax revenues for FY2007. Details of the current forecasts of the State's General Fund tax revenues for FY2007 to FY2013 are presented in the attached table.

Overall, the economy is growing as the Council expected. For the first ten months of FY2007, although general excise and use taxes, the largest source of revenue, grew by 10.9% over last year, net income taxes of individuals and corporations declined by 4.5%. The decline in income taxes is partly due to a large payment of corporation taxes in September 2005 that inflated the FY2006 corporation tax collections and the reduction of individual income taxes, starting January 2007, that was passed by the 2006 legislature. As a result, total tax collections deposited into the general fund have grown by only 2.9%.

As always, the Council assumes that the State will not experience any unusual events and that there will be no reductions in federal allocations or any prolonged or crippling strikes. Also, no adjustment has been made to reflect changes in tax laws contained in the recent legislation passed in 2007.

General Fund non-tax revenues have been increased in FY07 to reflect transfer of excess funds from the Parking Control Revolving Fund and premiums received from the sale of bonds; for FYs 07-13 net decreases due to correction in reporting of revenues from ambulance service fees; and changes in the estimates of reimbursements for the employer's share of health insurance premiums. Special Fund tax revenues were increased in FYs 07-13 to reflect actual year to date collections for the motor vehicle weight tax and vehicle registration fee tax. Special Fund non-tax revenues were increased in FYs 07-13 to reflect actual year to date collections on interest earnings; increases in projected federal grants for the Department of Transportation, Airports Division; and reflects a "catch-up" reimbursement for Medicaid fee-for-service costs in FY07. Other than Special Fund non-tax revenues have been increased in FYs 07-13 to reflect increases in federal medical assistance programs; decreases in funding for rehabilitation and modernization of federally aided low-income housing projects; and changes to the employee contribution for health benefit cost plans and employer contribution for health benefit cost plans due to a HMSA/Medicare rate decrease for retirees 65 years of age and over.

Please advise us if we can be of further assistance or if we can answer any questions you may have.

Sincerely,

Jack Suyderhoud, Ph.D.  
Vice Chair, Council on Revenues

Attachments

**ESTIMATES OF GENERAL FUND TAX REVENUE: FY 2007 to FY 2013**

(in thousands of dollars)

TYPE OF TAX	ACTUAL		ESTIMATED									
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013			
General Excise & Use 3/	\$2,136,603	\$2,355,316	\$2,479,035	\$2,701,333	\$2,824,678	\$2,966,742	\$3,111,626	\$3,231,801	\$3,418,950			
Income - Individual 4/ & 5/	1,381,059	1,550,164	1,592,384	1,630,731	1,695,359	1,763,654	1,833,963	1,934,596	2,032,335			
Income - Corporation	85,605	130,010	140,868	138,103	132,407	129,520	128,931	132,437	136,834			
Public Service Company	108,686	120,679	127,956	139,415	151,187	163,016	174,892	186,861	198,967			
Insurance Premiums	83,077	88,068	82,595	76,595	75,575	81,840	84,669	109,568	125,714			
Tobacco & Licenses	84,079	86,827	88,589	90,653	93,015	95,479	98,033	100,674	103,396			
Liquor & Permits	43,737	45,955	47,008	48,145	49,253	50,397	51,537	52,690	53,855			
Banks & Other Fin Corps 2/	36,520	16,324	17,395	18,814	20,289	21,539	22,751	23,979	25,236			
Conveyance	12,291	20,720	18,243	28,500	29,884	31,134	32,409	33,730	35,112			
Miscellaneous *	13,493	4,551	521	523	527	530	533	535	538			
Transient Accommodation Tax 1/	12,389	16,378	17,808	16,952	19,772	22,571	25,428	28,383	31,526			
<b>NET TOTAL</b>	<b>\$3,997,539</b>	<b>\$4,434,992</b>	<b>\$4,612,402</b>	<b>\$4,889,764</b>	<b>\$5,091,946</b>	<b>\$5,326,422</b>	<b>\$5,564,772</b>	<b>\$5,835,254</b>	<b>\$6,162,463</b>			
<b>GROWTH RATE</b>	<b>16.0%</b>	<b>10.9%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>4.9%</b>	<b>5.6%</b>			

Notes:

1/ Deposits of 44.8% of TAT revenues to counties (Act 156, SLH 1998); 32.6% to the tourism special fund and 5.3% to the TAT trust fund (Act 250, SLH 2002); 17.3% to the convention center enterprise fund (Act 253, SLH 2002); all net of general fund deposits of excess of fund ceilings. Act 235, SLH 2005, increases allocation to the tourism special fund to 34.2% and repeals the TAT trust fund. Effective on July 1, 2007. Act 209, SLH 2006, increases ceiling on allocation to the convention center enterprise fund to \$33 million. Effective on July 1, 2006.

2/ Transfers \$16.5 million of the litigated claims fund.

3/ FY 2008 includes \$30 million, estimated spillover from June 30, 2007 falling on a weekend. FY 2012 excludes \$30 million, due to June 30, 2012 falling on a weekend.

4/ Act 113, SLH 2004, changes the due date for withholding tax on wages. Applies to withholding requirements for payroll periods beginning on or after December 31, 2004.

5/ Act 110, SLH 2006, increases standard income tax deduction and expands income tax brackets. Effective on January 1, 2007.

\* Includes inheritance and estate tax.

STATE OF HAWAII  
GENERAL FUND  
MULTI-YEAR REVENUES FROM SOURCES OTHER THAN TAXES  
FISCAL YEARS 2006 - 2013  
(in thousands of dollars)

Source	Actual FY 2006	Estimated FY 2007	Estimated FY 2008	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013
Licenses & Permits	1,284	1,002	1,002	1,002	1,002	1,002	1,002	1,002
Revenues from Use of Money and Property	62,949	76,777	83,419	89,468	95,250	102,448	103,261	102,020
Federal Grants	6,462	5,382	5,347	5,347	5,347	5,347	5,347	5,347
Revenues from Other Agencies	4,185	2,802	2,802	2,802	2,802	2,802	2,802	2,802
Charges for Current Services	205,198	170,186	199,053	206,223	212,554	219,005	226,431	232,671
Fines, Forfeits & Penalties	1,670	534	534	530	530	530	530	530
Repayment of Loans & Advances	26,815	28,227	27,629	24,542	18,716	22,876	20,554	18,111
Other Non-Revenue Receipts	162,351	180,562	152,266	155,761	155,166	155,779	155,780	155,780
Subtotal	470,915	465,472	472,052	485,676	491,367	509,789	515,707	518,263
Judiciary	28,436	28,658	29,120	29,624	30,094	30,546	31,005	31,476
Total	499,351	494,130	501,172	515,301	521,461	540,335	546,712	549,739

Prepared by: Department of Budget & Finance

May 21, 2007

STATE OF HAWAII  
SPECIAL REVENUE FUND  
MULTI-YEAR TAX REVENUES  
FISCAL YEARS 2006 - 2013  
(in thousands of dollars)

Sources	<u>FY 2006</u>	<u>Estimated FY 2007</u>	<u>Estimated FY 2008</u>	<u>Estimated FY 2009</u>	<u>Estimated FY 2010</u>	<u>Estimated FY 2011</u>	<u>Estimated FY 2012</u>	<u>Estimated FY 2013</u>
Transfer of Gen. Excise Tax	-	-	-	-	-	-	-	-
Transfer of Tobacco Tax	1,434	1,384	1,090	1,111	1,132	1,145	1,152	1,152
Liquid Fuel:								
Highway	83,102	84,114	85,167	86,229	87,304	88,392	89,494	90,610
Aviation	2,590	2,613	2,639	2,666	2,692	2,719	2,746	2,774
Small Boats	<u>1,617</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>
Subtotal	87,310	88,027	89,106	90,195	91,296	92,411	93,540	94,684
Transfer of Transient Accom Tax	103,404	109,659	118,259	121,492	125,562	129,728	134,083	138,636
Motor Vehicle Weight Tax	30,741	31,124	31,513	31,907	32,306	32,710	33,118	33,533
Vehicle Registration Fee Tax	25,361	26,057	26,319	26,585	26,854	27,127	27,403	27,683
Vehicle Surcharge:								
Rental /Tour	50,582	51,594	38,626	39,678	40,752	41,847	42,964	43,676
Environmental Response Tax	1,808	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Unemployment Comp Tax	147,586	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Employment & Training	1,039	950	950	950	950	950	950	950
Election Campaign Contrib T.F.	186	260	260	260	260	260	260	260
Transfer of Banks & Fin. Corp Tax	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Transfer of Conveyance Tax	36,820	39,400	39,400	40,978	41,278	41,450	41,450	41,450
Transfer of Tax on Ins. Premiums	<u>1,710</u>	<u>1,800</u>	<u>1,900</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total	<u>489,980</u>	<u>484,056</u>	<u>481,224</u>	<u>488,956</u>	<u>496,190</u>	<u>503,428</u>	<u>510,720</u>	<u>517,824</u>

STATE OF HAWAII  
SPECIAL REVENUE FUND - SPECIAL FUNDS  
MULTI-YEAR NON-TAX REVENUES  
FISCAL YEARS 2006 - 2013  
(in thousands of dollars)

Sources	<u>FY 2006</u>	<u>Estimated FY 2007</u>	<u>Estimated FY 2008</u>	<u>Estimated FY 2009</u>	<u>Estimated FY 2010</u>	<u>Estimated FY 2011</u>	<u>Estimated FY 2012</u>	<u>Estimated FY 2013</u>
Licenses & Permits	14,660	12,709	15,085	16,215	15,982	16,373	16,269	16,419
Revenues from Use of Money and Property	137,372	144,064	144,063	148,955	140,409	138,463	136,664	136,457
Federal	202,012	223,869	222,989	221,373	220,920	225,649	230,568	235,685
Other Agencies	35,229	35,842	53,858	53,858	53,858	53,858	53,858	53,858
Charges for Current Services:								
Utis & Other Enterprises	319,373	328,297	357,969	368,698	379,937	389,434	396,813	403,698
Others	622,131	696,129	722,813	773,373	1,051,570	852,038	887,455	902,930
Fines, Forfeits & Penalties	2,964	3,192	2,623	2,632	2,645	2,660	2,675	2,689
Non-Revenue Receipts	165,058	176,099	171,173	171,171	171,173	171,172	171,169	171,174
Judiciary	7,771	7,784	7,936	8,067	8,202	8,321	8,442	8,566
Office of Hawaiian Affairs	0	0	0	0	0	0	0	0
<b>Total</b>	<u>1,506,569</u>	<u>1,627,986</u>	<u>1,698,511</u>	<u>1,764,343</u>	<u>2,044,696</u>	<u>1,857,968</u>	<u>1,903,913</u>	<u>1,931,476</u>
Adjustment for Transfers within Special Fund Category	54,295	29,175	34,510	34,507	34,510	34,509	34,506	34,510
Adjusted Total	1,452,274	1,598,811	1,664,001	1,729,836	2,010,186	1,823,459	1,869,407	1,896,966

Prepared by: Department of Budget & Finance

May 21, 2007

**STATE OF HAWAII**  
**SPECIAL REVENUE FUND - OTHER THAN SPECIAL FUNDS**  
**Multi-Year Revenues from Sources Other than Taxes**  
**Fiscal Years 2006 - 2013**  
(in thousands of dollars)

Sources	<u>FY 2006</u>	<u>Estimated</u> <u>FY 2007</u>	<u>Estimated</u> <u>FY 2008</u>	<u>Estimated</u> <u>FY 2009</u>	<u>Estimated</u> <u>FY 2010</u>	<u>Estimated</u> <u>FY 2011</u>	<u>Estimated</u> <u>FY 2012</u>	<u>Estimated</u> <u>FY 2013</u>
Licenses & Permits	512	493	493	493	493	493	493	493
Revenues from Use of Money and Property	60,495	53,447	50,480	48,710	48,083	47,705	46,628	46,272
Federal	1,701,510	1,779,334	1,771,889	1,791,359	1,860,291	1,912,662	1,969,490	2,011,833
Other Agencies	16,699	11,999	12,206	12,566	12,088	12,093	12,093	12,098
Charges for Current Services	174,835	126,082	120,214	120,566	119,233	118,845	118,666	118,685
Fines, Forfeits & Penalties	2,476	1,053	958	958	958	958	958	958
Non-Revenue Receipts	736,435	666,728	684,185	732,233	758,771	767,487	796,294	824,137
Office of Hawaiian Affairs	<u>45,189</u>	<u>41,250</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>
<b>TOTAL</b>	<u>2,738,151</u>	<u>2,680,386</u>	<u>2,655,525</u>	<u>2,721,985</u>	<u>2,815,017</u>	<u>2,875,343</u>	<u>2,959,722</u>	<u>3,029,576</u>

Prepared by: Dept. of Budget & Finance

May 21, 2007