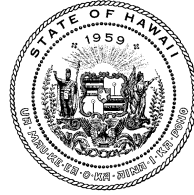


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COUNCIL ON REVENUES

STATE OF HAWAII
P.O. BOX 259
HONOLULU, HAWAII 96809-0259

August 5, 2014

The Honorable Neil Abercrombie
Governor, State of Hawaii
Executive Chambers
State Capitol, Fifth Floor
Honolulu, HI 96813

Dear Governor Abercrombie:

In its meeting on July 31, 2014, the Council on Revenues lowered its forecast for growth in Hawaii total personal income (TPI) for calendar year 2014 from 4.5% to 4.0%. The Council also made a forecast for TPI growth of 4.7% for calendar year 2015.

The new TPI forecasts were the averages of the forecasts for TPI that the members had submitted for the Council's General Fund meeting of May 29, 2014. The members noted that they had no basis for changing the forecasts from the May meeting. The members also noted that the new forecasts were in line with the U.S. Bureau of Economic Analysis' latest estimate for growth of TPI in the first quarter of 2014, which was reported to be 3.9%, and they were consistent with real economic growth and inflation each coming in at about 2% for the next two years.

While the Council members were informed that visitor spending on Maui had been adjusted upwards, the Council only considers visitor arrivals in its economic models and further noted that the overall impact was quite small, i.e., less than 1.0%. The Council members also were advised that the data on visitor arrivals by air for 2013 had been adjusted downward slightly, but that the adjustment was also quite small (less than 1%) and would have no material effect on the forecast.

The revised data for Hawaii's TPI for calendar years 2009 through 2013, along with the Council's forecasts for 2014 and for 2015, are shown below:

Calendar Year	Millions of Dollars	% Growth From Previous Year
2009	\$55,666	0.80%
2010	\$56,827	2.09%
2011	\$60,095	5.75%
2012	\$62,330	3.72%
2013	\$64,139	2.90%

The Honorable Neil Abercrombie
August 5, 2014
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2014 (Forecast)	\$66,705	4.00%
2015 (Forecast)	\$69,840	4.70%

Please advise us if we can be of further assistance or if you have any questions concerning the foregoing estimates.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kurt Kawafuchi', written in a cursive style.

KURT KAWAFUCHI
Chair, Council on Revenues