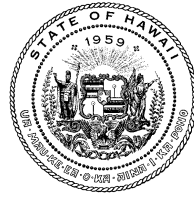


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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COUNCIL ON REVENUES

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

November 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 November 3, 2014, the Council on Revenues lowered its forecast for growth in Hawaii total personal income (TPI) for calendar year 2014 from 4.0% to 3.5%. The Council also lowered its forecast for TPI growth for calendar year 2015 from 4.7% to 3.5%.

The members discussed the latest trends in TPI growth and the recent downward revisions of TPI growth by the Bureau of Economic Analysis in the U.S. Department of Commerce. The members also considered the effects of recent trends in tourism growth, the effects of recent changes in oil prices and housing rentals on inflation, the effects of recent events in Japan (changes in tax laws and depreciation of the Japanese yen), and of the failure of the construction sector to grow in accordance with prior expectations.

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

Calendar Year	Millions of Dollars	% Growth From Previous Year
2009	\$55,700	0.87%
2010	\$56,824	2.02%
2011	\$59,192	4.17%
2012	\$61,968	4.69%
2013	\$63,468	2.42%
2014 (Forecast)	\$65,689	3.50%
2015 (Forecast)	\$67,989	3.50%

In addition to revising its forecast for TPI growth, the Council decided that henceforth, whenever the actual amount of General Fund (GF) tax revenues for a fiscal year differ from the forecast amount for that year, that the forecast for the ensuing years in the budget period be

The Honorable Neil Abercrombie

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calculated by applying the most recent Council's growth rate forecasts to the actual level of the GF tax revenues for the fiscal year and the corresponding implied levels of ensuing years. The GF forecast derived in this fashion may be used as the official Council on Revenues forecast until such time as the Council on Revenues revises its forecast.

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". The signature is fluid and cursive, with a large initial "K" and a long, sweeping tail.

KURT KAWAFUCHI
Chair, Council on Revenues