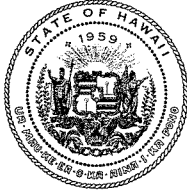


LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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COUNCIL ON REVENUES

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

March 15, 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 March 13, 2007, the Council on Revenues decided to retain its current forecasts of General Fund tax revenues for FY2007 and after. Details of the current forecasts of state General Fund tax revenues for FY2006 to FY2012 are presented in the attached table.

The Council noted that the inflation rate for Hawaii, as measured by changes in the Honolulu Consumer Price Index, was 5.8% for calendar year 2006, the highest it has been since calendar year 1992. For the first seven months of FY2007, general excise and use taxes have increased by 8.3% over last year, according to the Hawaii Department of Taxation. Overall, total personal income is expected to increase 6.4% this fiscal year and the economy is growing as the Council expected.

As always, the Council assumes that the State will not experience any unusual events, that there will be no reductions in federal allocations, no prolonged or crippling strikes, and no changes in existing tax laws.

General Fund non-tax revenues have been increased for FYs 08-13 to reflect higher interest earnings due to increases in the bond fund investment pool balance resulting from revised bond issuance plans. Special Fund non-tax revenues have been increased for FYs 08-13, to reflect higher estimated interest earnings due to projected Airports revenue bond sale proceeds; for FYs 06-13 to reflect increases resulting from updated University of Hawaii tuition rates; and for FY07 to reflect a transfer of \$10 million from the general fund to the Hydrogen Investment Capital Special Fund. Other than Special Fund non-tax revenues have been increased to reflect increases in risk management revenues resulting from increased property insurance premiums and increased reimbursements for Medicaid rehabilitation option services.

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

Sincerely,

PAUL H. BREWBAKER, Ph. D.
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 2/ & 5/	\$2,136,603	\$2,355,316	\$2,527,087	\$2,760,790	\$2,858,144	\$3,001,148	\$3,148,922	\$3,272,897	\$3,464,933
Income - Individual 6/ & 7/	1,381,059	1,550,164	1,634,464	1,667,437	1,754,548	1,826,096	1,899,105	2,002,454	2,103,163
Income - Corporation	85,605	130,010	134,363	129,768	132,408	129,594	127,739	129,613	132,126
Public Service Company	108,686	120,679	128,732	140,844	153,018	165,287	177,672	190,234	203,032
Insurance Premiums	83,077	88,068	84,595	78,645	77,493	83,710	86,489	111,333	127,420
Tobacco & Licenses	84,079	86,827	88,878	91,144	93,116	95,584	98,043	100,480	102,988
Liquor & Permits	43,737	45,955	47,323	48,489	49,306	50,415	51,518	52,632	53,758
Banks & Other Fin Corps 3/	36,520	16,324	17,933	19,334	20,803	22,093	23,405	24,752	26,145
Conveyance 4/ & 8/	12,291	20,720	18,518	29,058	30,179	31,437	32,737	34,091	35,517
Miscellaneous *	13,493	4,551	521	523	527	530	533	535	538
Transient Accommodation Tax 1/	12,389	16,378	18,104	17,151	19,693	22,295	24,945	27,701	30,585
NET TOTAL	\$3,997,539	\$4,434,992	\$4,700,518	\$4,983,183	\$5,189,235	\$5,428,189	\$5,671,108	\$5,946,722	\$6,280,205
GROWTH RATE	16.0%	10.9%	6.0%	6.0%	4.1%	4.6%	4.5%	4.9%	5.6%

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/ Act 100, SLH 2003, provides a nonrefundable attractions & educational facilities tax credit equal to 100% of certain costs incurred after May 31, 2003, & before June 1, 2009, for the development of such facilities at Ko Olina Resort & Marina & the Makaha Resort. Of the maximum \$7.5 million credit per year, the general fund loss is estimated at \$4 million.

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

4/ Act 156, SLH 2004, increases conveyance tax rates based on a sliding scale. Deposits of 10% of conveyance tax revenues to the land conservation fund; 30% to the rental housing trust fund; 25% to the natural area reserve fund. Effective on July 1, 2005.

5/ 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.

6/ 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.

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

8/ Act 100, SLH 2006, increases allocation to the rental housing trust fund to 50%. It takes effective on July 1, 2006 and will be repealed on June 30, 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)**

<u>Source</u>	<u>Actual 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	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	75,927	83,409	89,458	95,243	102,441	103,256	102,015
Federal Grants	6,462	5,380	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	186,019	209,431	216,431	223,967	231,794	240,881	240,989
Fines, Forfeits & Penalties	1,670	534	534	530	530	530	530	530
Repayment of Loans & Advances	26,815	28,071	27,625	24,538	18,716	22,876	20,554	18,111
Other Non-Revenue Receipts	162,351	158,532	152,266	155,761	155,166	155,779	155,780	155,780
Subtotal	470,915	458,267	482,416	495,870	502,773	522,571	530,152	526,576
Judiciary	28,436	28,658	29,120	29,624	30,094	30,546	31,005	31,476
Total	499,351	486,925	511,536	525,494	532,867	553,117	561,157	558,052

Prepared by: Department of Budget & Finance

March 13, 2007

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

Sources	<u>FY 2006</u>	Estimated <u>FY 2007</u>	Estimated <u>FY 2008</u>	Estimated <u>FY 2009</u>	Estimated <u>FY 2010</u>	Estimated <u>FY 2011</u>	Estimated <u>FY 2012</u>	Estimated <u>FY 2013</u>
Transfer of Gen. Excise Tax	-	-	-	-	-	-	-	-
Transfer of Tobacco Tax	1,434	1,469	1,090	1,111	1,132	1,145	1,152	1,152
Liquid Fuel:								
Highway	83,102	84,139	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	88,052	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	28,600	29,032	29,470	29,916	30,367	30,352	30,732
Vehicle Registration Fee Tax	25,361	25,081	25,382	25,687	25,996	26,310	26,310	26,576
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	40,350	40,650	40,650	40,650	40,650
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>480,666</u>	<u>477,806</u>	<u>484,993</u>	<u>492,314</u>	<u>499,468</u>	<u>506,061</u>	<u>513,116</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	12,751	15,160	16,290	16,035	16,390	16,249	16,379
Revenues from Use of Money and Property	137,372	142,620	142,841	147,940	139,393	137,547	135,748	135,652
Federal	202,012	209,560	213,489	212,873	215,420	220,149	225,068	230,185
Other Agencies	35,229	35,842	53,858	53,858	53,858	53,858	53,858	53,858
Charges for Current Services:								
Utils & Other Enterprises	319,373	328,293	357,969	368,698	379,937	389,434	396,813	403,698
Others	622,131	683,416	723,024	773,503	1,051,703	852,174	887,594	903,083
Fines, Forfeits & Penalties	2,964	3,125	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	<u>75</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
Total	<u>1,506,643</u>	<u>1,599,640</u>	<u>1,688,223</u>	<u>1,755,181</u>	<u>2,038,516</u>	<u>1,851,855</u>	<u>1,897,766</u>	<u>1,925,434</u>
Adjustment for Transfers within Special Fund Category	0	0	0	0	0	0	0	0
Adjusted Total	1,506,643	1,599,640	1,688,223	1,755,181	2,038,516	1,851,855	1,897,766	1,925,434

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>	Estimated <u>FY2007</u>	Estimated <u>FY 2008</u>	Estimated <u>FY 2009</u>	Estimated <u>FY 2010</u>	Estimated <u>FY 2011</u>	Estimated <u>FY 2012</u>	Estimated <u>FY 2013</u>
Licenses & Permits	512	493	493	493	493	493	493	493
Revenues from Use of Money and Property	67,250	60,275	57,222	55,592	55,019	54,641	53,808	53,452
Federal	1,703,778	1,780,030	1,740,519	1,773,524	1,855,676	1,911,092	1,967,925	2,010,274
Other Agencies	16,699	11,999	12,228	12,091	12,088	12,093	12,093	12,098
Charges for Current Services	174,949	125,547	120,320	120,679	119,380	119,392	119,284	119,303
Fines, Forfeits & Penalties	2,476	1,053	958	958	958	958	958	958
Non-Revenue Receipts	736,435	670,653	696,520	744,789	771,777	781,121	810,582	839,108
Office of Hawaiian Affairs	<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>	<u>15,100</u>
TOTAL	<u>2,743,349</u>	<u>2,665,150</u>	<u>2,643,360</u>	<u>2,723,226</u>	<u>2,830,491</u>	<u>2,894,890</u>	<u>2,980,243</u>	<u>3,050,786</u>

Prepared by: Dept. of Budget & Finance

March 13, 2007