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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

November 17, 2017

The Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Senate President Kouchi:

Subject: Final Estimate of State Growth Rate and General Fund Expenditure
Ceiling for FYs 18-19

The Hawaii State Constitution, Article VII, Section 9, requires the State Legislature to establish a general fund expenditure ceiling that limits the rate of growth of general fund appropriations to the estimated rate of growth of the State's economy.

Chapter 37, Part V, General Fund Expenditure Ceiling, HRS, which implements this constitutional requirement, defines State growth as the average annual percentage change in total personal income (TPI) for the three calendar years immediately preceding the fiscal year for which appropriations are to be made. TPI is defined as the State personal income series published by the United States Department of Commerce, Bureau of Economic Analysis (BEA). For the current and next succeeding calendar year, for which the BEA does not publish income data, it shall mean the TPI as estimated by the Council on Revenues (Council).

The Director of Finance uses the BEA's personal income series and the Council's estimates to determine the State growth rate and general fund expenditure ceiling. Upon making this determination, the Director of Finance is required to inform the Governor, Chief Justice, and the Legislature of the Final Estimates of the State's growth rate and expenditure ceiling as of November 15, 2017.

Based on the data submitted by the Council in a letter dated October 26, 2017, it has been determined that the Final Estimates of the State growth rate and the general fund expenditure ceiling are as follows:

<u>Fiscal Year</u>	<u>State Growth</u>	<u>Aggregate Expenditure Ceiling</u>
18	4.65%	\$8,524,005,593
19	3.88%	8,854,501,921

Executive and Judicial Branches' Appropriation Ceilings

The Executive and Judicial Branches' appropriation ceilings as of November 15, 2017, were calculated by multiplying Executive and Judicial appropriations for the previous fiscal year by the applicable State growth rate. The Executive and Judicial Branches' appropriation ceilings, appropriations, and margins are as follows:

Executive Branch Appropriation Ceiling for FYs 18-19

<u>Fiscal Year</u>	<u>Appropriation Ceiling</u>	<u>Appropriations</u>	<u>Margin</u>
18	\$7,904,774,982	\$7,364,965,229	\$539,809,753
19	7,650,522,757	7,665,740,429	-15,217,672

Judicial Branch Appropriation Ceiling for FYs 18-19


<u>Fiscal Year</u>	<u>Appropriation Ceiling</u>	<u>Appropriations</u>	<u>Margin</u>
18	\$170,596,747	\$165,678,938	\$4,917,809
19	172,102,711	169,421,303	2,681,408

Comparison of Executive Branch and Judicial Branch
Appropriation Growth Rates

<u>Fiscal Year</u>	<u>State Growth</u>	<u>Growth in General Fund Appropriations</u>	
		<u>Executive Branch</u>	<u>Judicial Branch</u>
18	4.65%	-2.50%	1.63%
19	3.88%	4.08%	2.26%

A public notice of the Final State growth rate and expenditure ceiling for FYs 18-19 will be published in the Honolulu Star-Advertiser, Hawaii Tribune-Herald, West Hawaii Today, The Maui News, and The Garden Island.

Aloha,

A handwritten signature in black ink, appearing to read "Wesley K. Machida". The signature is fluid and cursive, with the first name "Wesley" being more prominent.

WESLEY K. MACHIDA
Director of Finance