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

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

December 2, 2016

## DEPT. COMM. NO. 62

The Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth 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 17-19

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 State 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, 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, 2016.

Based on the data submitted by the Council in a letter dated November 3, 2016, 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>
17	3.80%	\$8,119,864,573
18	4.79%	8,508,607,013
19	4.58%	8,898,639,057

Executive and Judicial Branches' Appropriation Ceilings

The Executive and Judicial Branches' appropriation ceilings as of November 15, 2016, 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 17-18

<u>Fiscal Year</u>	<u>Appropriation Ceiling</u>	<u>Appropriations</u>	<u>Margin</u>
17	\$7,090,365,416	\$7,551,188,576	-\$460,823,160
18	7,912,705,378	N/A	N/A

Judicial Branch Appropriation Ceiling for FYs 17-18

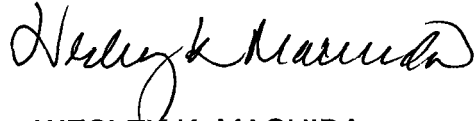
<u>Fiscal Year</u>	<u>Appropriation Ceiling</u>	<u>Appropriations</u>	<u>Margin</u>
17	\$164,247,147	\$163,017,707	\$1,229,440
18	170,822,259	N/A	N/A

Comparison of Executive Branch and Judicial Branch Appropriation Growth Rates

<u>Fiscal Year</u>	<u>State Growth</u>	Growth in General Fund Appropriations	
		<u>Executive Branch</u>	<u>Judicial Branch</u>
17	3.80%	10.54%	3.02%
18	4.79%	N/A	N/A
19	4.58%	N/A	N/A

A public notice of the Preliminary State growth rate and expenditure ceiling for FYs 17-19 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 a large initial "W" and "M".

WESLEY K. MACHIDA  
Director of Finance