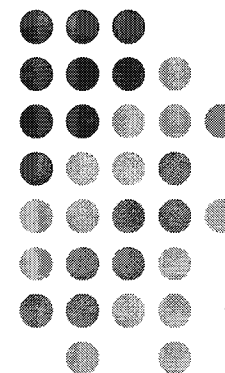


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## **Statewide Overview and General Information**



## State of Hawaii Background Information

The State was admitted into the Union on August 21, 1959, as the 50th state. It is an archipelago of eight major islands, seven of which are inhabited, plus 124 named islets, totaling 6,425 square miles in land area. Hawaii is located in the Pacific Ocean in the Northern Hemisphere, mostly below the Tropic of Cancer, about 2,400 statute miles from San Francisco.

The State is slightly larger than the combined area of Connecticut and Rhode Island and ranks 47th of the 50 states in land area. Hawaii is also larger in area than Delaware.

The island of Hawaii is the largest island, with 4,028 square miles in area. The other inhabited islands, in order of size, are Maui, Oahu, Kauai, Molokai, Lanai and Niihau.

According to the U.S. Census, the total population of the State was 422,770 in 1940; 499,794 in 1950; 632,772 in 1960; 769,913 in 1970; 964,691 in 1980; 1,115,274 in 1990; 1,211,537 in 2000; 1,360,301 in 2010; and 1,374,810 in 2011 (estimated) making the State the 40th most populous state in the Union as of 2011.

The City and County of Honolulu consists of the island of Oahu (plus some minor islets) with a land area of 600.7 square miles. Honolulu, the capital of the State and the principal port, is located on Oahu. According to the U.S. Census, about 70.1% (estimate as of 2011) of the population of the State lives on Oahu.

Hawaii's population exhibits greater ethnic diversity than other states because it is descended from immigrants from the Far East as well as from Europe and the mainland United States. Based on the 2009 estimates from the U.S. Census, approximately 77.0 % of the total population is of one racial extraction, as follows:

Asian	38.5%
Caucasian	26.0%
Native Hawaiian, Pacific Islanders	10.1%
African American/Native American	<u>2.4%</u>
	77.0%

The remaining 23.0% of the population is of two or more races.

NOTE: Due to rounding, details may not add up to the total.

### State Government

The Constitution of the State provides for three separate branches of government: the Legislative Branch, the Executive Branch and the Judicial Branch.

Legislative power is vested in a bicameral Legislature consisting of a Senate of 25 members elected for four-year terms and a House of Representatives of 51 members elected for two-year terms. The Legislature convenes annually in regular session on the third Wednesday in January. Regular sessions are limited to a period of 60 days, and special sessions are limited to a period of 30 days. Any session may be extended by no more than 15 days.

Executive power is vested in a Governor elected for a four-year term. In the event of the absence of the Governor from the State, or his or her inability to exercise the powers and duties of his or her office, the Lieutenant Governor, also elected for a four-year term, serves as the chief executive.

The Executive and Administrative Offices are limited to not more than 20 principal departments under the supervision of the Governor. The Executive functions have in fact been grouped into 18 departments. The heads of the departments are appointed by the Governor, with the advice and consent of the Senate, and hold office for a term to expire with the term of the Governor.

Under the Constitution, judicial power is vested in a Supreme Court, one intermediate appellate court, circuit courts, district courts, and such other courts as the Legislature may from time to time establish. Pursuant to statute, the Legislature has established four circuit courts, four district courts and an intermediate appellate court.

## **The Counties and Their Relationship to the State**

There are four counties in the State: the City and County of Honolulu, the County of Maui, the County of Hawaii and the County of Kauai (and one quasi-county, Kalawao).

Each of the counties has a separate charter for its government, each of which provides for an elected mayor and an elected council. The mayor is the chief executive and the council is the legislative body. *There are no independent or separate cities or other municipalities, school districts or townships.*

The State government of Hawaii has total responsibility for many functions that are performed by or shared by local governments in most other parts of the United States. For example, the State pays all costs in connection with the public school system, libraries, public welfare, and judiciary.

The greatest expenditures by the State in past years have been in the areas of education and public welfare. The counties' major areas of responsibility and expenditure are in police and fire protection, waste disposal, water and sewer facilities, and secondary streets and highways.

## Controls on State Expenditures

### Expenditure Controls

Probably the strictest control on State expenditures is found in the Hawaii State Constitution, Article VII, Section 5, Expenditure Controls, which states that general fund expenditures for any fiscal year shall not exceed the State's current general fund revenues and unencumbered cash balances, except when the Governor publicly declares the public health, safety or welfare is threatened as provided by law.

By also establishing an independent body, the Council on Revenues (Council) (Article VII, Section 7), to prepare estimates of State revenues and requiring the Governor and Legislature to use these estimates, the Constitution minimizes disagreements between the two branches of government on the amount of revenues that the State will receive, and therefore, the amount that can be spent.

### General Fund Expenditure Ceiling

Another safeguard of the fiscal integrity of the State is the establishment of a maximum level of general fund appropriations allowed in any year. This maximum level is called the expenditure ceiling and is established by the Hawaii State Constitution, Article VII, Section 9.

This section limits the rate of growth of general fund appropriations to the estimated rate of growth of the State's economy as provided by law. The expenditure ceiling can be exceeded only by two-thirds vote of each house of the Legislature. The Legislature must also set forth the dollar amount and rate by which the ceiling will be exceeded and the reasons for exceeding the ceiling.

Chapter 37, State Financial Administration, Part V, General Fund Expenditure Ceiling, Hawaii Revised Statutes, provides the details of how the expenditure ceiling is calculated and how State growth is measured.

The expenditure ceiling uses the FY 1979 general fund appropriations as the expenditure ceiling and is increased for each succeeding year by the estimate of State growth as measured by the percentage change in total State personal income.

State growth is defined as the estimated rate of growth of the State's economy and is established by averaging the annual percentage change in total State personal income for the three calendar years immediately preceding the fiscal year for which the general fund appropriations are to be made.

Total State personal income means the total State personal income as defined by the State personal income series published by the United States Department of Commerce, Social and Economic Statistics Administration, Bureau of Economic Analysis.

Total State personal income is estimated by the Council. A preliminary estimate is made by August 5 of each year, followed by a final estimate by November 5 of that year.

Using these total State personal income estimates, the Director of Finance determines a preliminary estimate of State growth and expenditure ceiling as of August 15 of each year, and a final estimate as of November 15 of each year.

### The Council on Revenues

The Hawaii State Constitution (Article VII, Section 7) authorizes the establishment of the Council for the purpose of preparing revenue estimates for use by the Governor and Legislature.

The Governor must consider these estimates in preparing the budget, recommending appropriations and revenues, and controlling expenditures. The Legislature must consider the estimates in appropriating funds and enacting revenue measures. If the Legislature appropriates funds or if the Governor prepares a budget

or recommends appropriations that will exceed the Council's revenue estimates, they must publicly declare this fact including the reasons for it.

The Council was established by Act 278, Session Laws of Hawaii 1980 (Chapter 37, Part VI, Council on Revenues, HRS). The Council prepares revenue estimates of State government for the fiscal year in progress and for each year of the six-year State program and financial plan each June 1, September 10, January 10, and March 15.

The Council consists of seven members. Three members are appointed by the Governor and serve four-year terms. Two members each are appointed by the President of the Senate and Speaker of the House and serve two-year terms.

Section 37-112, Use of Estimates, provides that if the Legislature or Governor uses a revenue estimate which differs from the Council's estimate when appropriating funds or preparing the budget, they must declare this fact publicly with the reasons for using the differing revenue estimates.

### **The Budget System**

The Department of Budget and Finance (B&F) is one of the principal departments permitted by the Constitution of the State, with the head of this department being designated as the Director of Finance. Under the general direction of the Governor, B&F administers the State's proposed six-year program and financial plan, the State budget, and financial management programs of the State.

With the enactment of the Executive Budget Act of 1970, the Planning, Programming and Budgeting System of the State was adopted. The purpose of this act is to integrate the planning, programming and budgeting processes to improve decisions on the allocation of resources.

The act established a comprehensive system for State programs and their related costs over a time frame of six years. The operating and capital improvement requirements are evaluated together to insure compatibility and mutual support. Systematic

evaluations and analyses are conducted to ascertain the attainment of program objectives and alternative means or methods of improving current State services.

The act also provides that the Director of Finance may modify or withhold planned expenditures if such expenditures are greater than those necessary to execute the programs at levels authorized by the Governor and the Legislature, or in the event that State receipts and surpluses would be insufficient to meet authorized expenditure levels.

### **The Legislative Process**

At least 30 days before the Legislature convenes, the Governor submits to the Legislature the proposed State budget of the Executive Branch for the ensuing fiscal biennium. The budgets of the Judicial Branch and the Legislative Branch are submitted by their respective leaders to the Legislature for its consideration.

In odd-numbered years, the Executive Budget bill is known as the general appropriations bill, and in even-numbered years, as the supplemental appropriations bill.

No appropriation bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, can be passed on final reading until the general appropriations (or supplemental appropriations) bill is transmitted to the Governor. To become law, a bill must pass three readings in each house on separate days.

Each bill passed by the Legislature is certified by the presiding officers and clerks of both houses and then is presented to the Governor. If the Governor approves and signs the bill, it becomes law. If the Governor does not approve a bill, the Governor may return it, with the Governor's objections, to the Legislature.

Except for items appropriated to be expended by the Judicial and Legislative Branches, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the amount. For all other types of bills, the bill can only be vetoed as a whole.

The Governor has ten days to consider bills presented to the Governor ten or more days before the adjournment of the Legislature sine die. If a bill is neither signed nor returned by the Governor within that time, it shall become law as if the Governor had signed it.

The Governor has 45 days, after the adjournment of the Legislature sine die, to consider bills presented to him/her less than ten days before such adjournment, or presented after adjournment. Such a bill becomes law on the 45th day unless the Governor by proclamation gives ten days' notice to the Legislature that he/she plans to return such bill with his/her objections in ten days.

The Legislature may convene on or before the 45 day in special session, without call, for the sole purpose of acting upon any such bill returned by the Governor. If the Legislature does not convene, the bill does not become law.

If the Legislature meets in special session, it may amend the bill to meet the Governor's objections. Only one reading is required in each house to pass the bill. It is presented again to the Governor, but becomes law only if the Governor signs it within ten days after presentation.

## How State Government is Financed

### General Fund

The General Fund is used to account for resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. The appropriations acts adopted by the Legislature provide the basic framework in which the resources and obligations of the General Fund are accounted. The operating appropriations and the related General Fund accounting process complement each other as basic control functions in the general administration of State government.

As part of the annual financial planning and executive budgeting process, B&F uses the Council's projections of General Fund revenues.

### Deposits to the General Fund

### Tax Collections

Tax collections collected by and for the Department of Taxation (TAX) amounted to \$6.0 billion in FY 2012. As shown in the following table, the general excise and use tax is the State's most important source of revenue, accounting for approximately 45% of all tax collections. Next in size is the individual income tax, which contributed 26% of tax collections.

### Tax Collections – FY 2012 (In Thousands of Dollars)

<u>Source of Revenue</u>	<u>Amount Collected</u>	<u>% of Total</u>
General Excise & Use	\$2,698,467	44.9%
Income – Individuals	1,541,051	25.6%
Transient Accommodations	323,951	5.4%
Employment Security Cont.	231,669	3.9%
Honolulu County Surcharge	211,850	3.5%
Motor Vehicle Taxes*	211,742	3.5%
Fuel	193,101	3.2%
Public Service Companies	150,528	2.5%
Tobacco & Licenses	138,798	2.3%
Insurance Premiums	116,777	1.9%
Income – Corporations	73,026	1.2%
Liquor & Permits	48,854	0.8%
Conveyance	42,106	0.7%
Inheritance & Estate	14,125	0.2%
Banks – Financial Corps.	7,229	0.1%
All Others	<u>4,965</u>	<u>0.1%</u>
Total	\$6,008,236	100.0%

\*Includes Motor Vehicle Weight Tax, Registration Fees, Commercial Driver's License, Periodic Manufacturer Vehicle Inspection Fees, Rental Vehicle Registration Fees, and Rental Vehicle Surcharge Tax.

NOTE: Due to rounding, details may not add to totals.

Source: Department of Taxation, State Tax Collections and Distribution Report, Year Ending June 30, 2012.

The individual income tax rates for married or unmarried individuals, including Head of Household range from 1.4% to 11.0% of taxable income. The income tax rates for estates and trusts range from 1.4% to 8.25%. Tax rates for corporations range from 4.4% to 6.4%.

The general excise (gross income) tax is a business privilege tax measured by the application of rates against values of products, gross proceeds of sales, or gross income.

The use tax is an excise tax levied on tangible personal property, contracting, or services imported or purchased from an unlicensed seller for resale or use in the State. The tax is based upon the purchase price or value of the tangible personal property, contracting, or services purchased or imported, whichever is applicable.

Effective January 1, 2007, the City and County of Honolulu surcharge of ½ of 1% is imposed upon Oahu activities subject to the 4% General Excise and Use Taxes. The State retains, as General Fund realizations, 10% of the county surcharge collected to reimburse the costs of assessment, collections and disposition incurred by the State.

The Public Service Company tax is a tax measured by the gross income from public utility business of public utilities in lieu of the general excise tax.

The estate tax is a tax on the transfer of a taxable estate and is based on the federal taxable estate, but has its own tax rate schedule, with tax rates varying from 10.0% to 15.7%.

The Banks and financial corporations tax is a franchise tax (in lieu of net income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or subsidiaries not subject to the taxes discussed above. The tax is assessed on net income for the preceding year from all sources at a rate 7.92%.

The insurance premiums tax is a tax on insurance companies (underwriters) based on premiums written in the State in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax rates range between 0.8775% and 4.68% depending on the nature of the policy.

There is an excise tax on those who sell or use tobacco products and a gallonage tax imposed on dealers who sell or use liquor.

Transient accommodations, conveyance and fuel taxes are allocated among various funds and to the counties. The transient accommodations tax of 7.25% is levied on the furnishing of a room, apartment, suite or the like customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, horizontal property regime or cooperative apartment, rooming house or other place in which lodgings are regularly furnished to transients for consideration, including the fair market rental value of time-share vacation units. Beginning July 1, 2010 to June 30, 2015, an additional tax of 2% is levied on top of the 7.25% (total of 9.25%) for furnishing transient accommodations. The additional amounts are to be deposited to the General Fund, except that 12.5% of the additional amount for FY 2011 was deposited to the Tourism Special Fund. Act 103, SLH 2011, established a \$10 daily tax on each transient accommodation furnished at no charge. The Act also temporarily (from July 1, 2011 to June 30, 2015) limits the transient accommodations tax revenue distribution to the counties to \$93 million per year, and limits the distribution to the tourism special fund to \$69 million per year. Act 171, SLH 2012, temporarily (from July 1, 2012 to June 30, 2015) increased the distribution to the Tourism Special Fund from \$69 million to \$71 million. Any revenue in excess of these limits is retained by the General Fund.

### **Non-Tax Revenues**

Other amounts deposited to the General Fund are derived from non-tax sources, including investment earnings, rents, fines, licenses and permits, federal grants, charges for administrative services and other sources. In FY 2012, these non-tax revenues comprised approximately 12% of total deposits to the General Fund and totaled \$688.2 million, as follows:



<u>Source of Non-Tax Revenues</u>	<u>Amount Collected FY 2012</u>
Licenses & Permits	\$ 6,003,390
Use of Money & Property	22,638,323
Federal Grants	13,457,484
Revenues from Other Agencies	25,354,398
Charges for Current Services	272,038,735
Fines, Forfeitures & Penalties	650,443
Repayments of Loans & Advances	23,044,518
Other Non-Revenue Receipts	<u>287,790,962</u>
Total Executive Branch	\$650,978,253
Judiciary Branch Revenues	37,175,011
Total Non-Tax Revenues	\$688,153,264

Licenses and Permits are revenues from 1) businesses and occupations which, by statute, must be licensed or granted permits before doing business in the State; and 2) non-business licenses and permits levied according to benefits presumably conferred by the license or permit. Major items in this category are marriage license fees and insurance license and service tax fees.

Revenues from Use of Money and Property are revenues derived from State property not used for departmental purposes, and from the investment and use, by others, of the State's capital. Major items are interest earnings on the investment of State funds in certificates of deposit, and reimbursements for general obligation bonds issued for highway, airport, Department of Land and Natural Resources, University of Hawaii (UH), and economic development capital improvement projects.

Non-tax revenues from federal grants are made up of payments for indirect costs incurred by the State for carrying out federal programs.

Revenues from Other Agencies include escheats and unclaimed moneys (real and personal property which have been returned to the State which are unclaimed or without legal heirs) and donations or bequests contributed by private or public sources for general government activities.

Charges for Current Services are fees charged for certain services such as court fees, ambulance fees, Bureau of Conveyance filing fees, reimbursements from federal welfare programs and reimbursements for the State's (as an employer) advance for employee health insurance premiums.

Fines, Forfeits and Penalties are made up of fines imposed for commission of statutory offenses, violation of administrative rules and regulations, and neglect of official duties. Forfeits refer to giving up the right to deposits held by the State as performance guarantees by contractors, and bail forfeitures collected by the District and Circuit Courts of the Judiciary Branch.

The major items in Repayments of Loans and Advances are funds collected as repayments of principal on general obligation bonds and other loans and advances.

Other Non-Revenue Receipts refer to transfers from non-general funds and refunds and reimbursements. Major items in this category are interest adjustments on the sale of general obligation bonds, transfers of excess balances from certain non-general funds, and reimbursements for pension accumulation and Social Security employer contributions from non-general funded programs.

### **Distribution of Taxes**

Of the \$6.0 billion in FY 2012 tax collections, \$4.98 billion, or 82.9%, was deposited into the State General Fund. The counties received \$165.3 million, or 2.8%, from county fuel taxes and transient accommodations taxes. The remaining \$865.1 million was distributed to State special funds.

Largest in size was the distribution of \$237.5 million to the State highway fund. Next in size was the transfer of \$231.7 million in unemployment security contributions to the unemployment trust fund, followed by the \$69.0 million distribution of transient accommodations taxes to the Tourism Special Fund.

Tax Distributions - FY 2012  
(In Thousands of Dollars)

<u>Source of Revenue</u>	<u>Amount Collected</u>	<u>% of Total</u>
State General Fund	\$4,977,848	82.9%
Highway Special Fund	237,542	4.0%
Employment Security Fund	231,669	3.9%
Tourism Special Fund	69,000	1.1%
Convention Ctr. Ent. Fund	35,637	0.6%
Cancer Research Fund	16,828	0.3%
Rental Housing Fund	10,540	0.2%
Natural Area Reserve Fund	8,432	0.1%
Community Health Centers Fund	6,312	0.1%
Trauma System Fund	6,312	0.1%
Airports Special Fund	4,353	0.1%
Land Conservation Fund	4,216	0.1%
Emergency Medical Serv. Fund	4,203	0.1%
Energy Security Fund	3,944	0.1%
Agricultural Dev. & Food Sec. Fund	3,944	0.1%
Energy Systems Dev. Fund	2,629	0.0%
Cigarette Strm. Ad/Enf. Fund	2,019	0.0%
Compliance Res. Spec. Fund	2,000	0.0%
Boating Special Fund	1,611	0.0%
Environmental Fund	1,315	0.0%
Cigarette Stamp Admin. Fund	271	0.0%
Election Campaign Fund	157	0.0%
Domes. Violence\Child Abuse Fund	154	0.0%
School R&M Fund	77	0.0%
Public Libraries Fund	73	0.0%
<b>Subtotal – State</b>	<b>\$5,631,089</b>	<b>93.7%</b>
Revenues Transferred to Counties:		
Honolulu County Surcharge	211,850	3.5%
Fuel	72,297	1.2%
Trans. Accommodations Tax	93,000	1.5%
<b>Subtotal – Counties</b>	<b>377,147</b>	<b>6.3%</b>
<b>Total</b>	<b>\$6,008,236</b>	<b>100.0%</b>

NOTE: Due to rounding, details may not add to totals.

Source: Department of Taxation, State Tax Collections and Distribution Report, Year Ending June 30, 2012.

**Special Funds**

Special funds are funds which are dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.

Special funds are used primarily and extensively with regard to highway construction and maintenance, harbor and airport operations, hospital operations, housing and homestead programs, certain programs in the area of education, business regulation, consumer protection, environmental management and tourism and other economic development. Federal funds are accounted for in special funds.

The major special funds in terms of revenues received are as follows:

<u>Fund</u>	<u>FY 2012 Revenues</u>
Airport Revenue Fund (DOT)	\$327,235,000*
HHSC Special Fund (DOH)	269,161,566
State Highway Fund (DOT)	232,029,868*
St. Ed. Fac. Imp. Spec Fd (DOE)	179,500,000
Tuition & Fees Special Fund (UH Manoa)	168,424,560*
Harbors Special Fund (DOT)	94,016,000*
Tourism Special Fund (DBED)	68,580,462
UH Tuition & Fees Spec. Fd (Comm. Col.)	60,862,273*
Beverage Cont. Dep. Special Fund (DOH)	54,677,348
Convention Ctr. Ent. Fund (DBED)	49,229,387
UH Bookstore (UH)	30,200,000*

NOTE: \*estimated

Source: DOT and UH Report on Non General Fund Information to the 2011 Legislature, Department of Accounting & General Services Financial Accounting & Management Information System Reports.

The types of revenues credited to the various accounts in special funds are user tax receipts (fuel taxes), revenues from public undertakings, improvements or systems (airports, harbors and university revenue-producing undertakings, among others), and various business, occupation and non-business licenses, fees and permits.

There is a tax on authorized insurance companies (underwriters) based on premiums received in Hawaii and a conveyance tax on all documents transferring ownership or interest in real property, both of which support the Hawaii Hurricane Relief Fund.

The proceeds of fuel taxes, motor vehicle taxes, unemployment insurance taxes and employment security contributions are deposited into special funds. In addition, portions of the rental motor vehicle and tour vehicle surcharge taxes, tobacco taxes, transient accommodations taxes, environmental response taxes and conveyance taxes are deposited into special funds.

Distributors are required to pay taxes on aviation fuel, diesel oil, alternative fuels for operation of an internal combustion engine and on liquid fuels other than the foregoing, e.g., on gasoline used to operate motor vehicles upon the public highways.

The unemployment insurance tax is a tax on wages paid by employing units with one or more employees with certain exemptions. The unemployment tax rate is determined according to a multi-contribution schedule system. There is an additional employment and training fund assessment on taxable wages paid to an employee. The percentage rate for this additional tax is .01%.

There is a rental motor vehicle surcharge tax on a rented or leased motor vehicle. The tax is levied on the lessor. There is also a tour vehicle surcharge tax for each tour vehicle in the 25-passenger seat and over category and for each tour vehicle in the 8- to 25-passenger seat category. The tax is levied on the tour vehicle operator. The State has a vehicle tax that varies from \$0.0175 per pound to \$0.0225 per pound, depending on the net weight of the vehicle; vehicles over 10,000 pounds net weight are taxed at a flat rate of \$300.

The tobacco tax currently assesses \$0.16 for each cigarette or little cigar, 70% of the wholesale price of tobacco products, and 50% of the wholesale price of each large cigar. The environmental response taxes are currently set at \$1.05 per barrel of petroleum product for the period from July 1, 2010 to June 30, 2015. The conveyance taxes are imposed on the amount paid in the sale, lease, sublease, assignment, transfer, or conveyance of realty or any interest therein. The tax rate ranges from \$0.10 per \$100 to \$1.25 per \$100, depending on the value of the property.

### **Federal Grants**

State departments, agencies, and institutions annually receive federal grants. These amounts account for about 15% of the total State budget for each year.

- Approximately 52% of the federal grants are awarded to human resources programs in public health, vocational rehabilitation, income maintenance, services to the blind, and other social or health services.
- Approximately 23% of such federal funds are used to support programs in the public schools, community colleges, and the university system.
- Transportation and highway safety activities received about 9% of all federal funds, primarily for interstate highway construction.
- Employment programs, including unemployment compensation benefit payments, account for about 9% of such federal receipts.
- Other programs account for the balance of such receipts.

The following table details the annual federal grants for the indicated fiscal years to the State's departments, agencies and institutions.

<u>Fiscal Year Ended June 30</u>	<u>Grant Amount (\$ in millions)</u>
2002	1,382.2
2003	1,590.8
2004	1,724.9
2005	1,830.6
2006	1,877.4
2007	2,009.8
2008	1,999.0
2009	2,294.2
2010	2,845.0*
2011	3,114.4*
2012	2,573.3*

\*Includes \$367.7 million in FY 2010, \$506.7 million in FY 2011 and \$158.0 million in FY 2012 from federal stimulus funds (note: amounts for federal stimulus funds do not include UH).

Source: State of Hawaii – Department of Accounting and General Services.

### Revolving Funds

Revolving funds are funds from which is paid the cost of goods and services rendered or furnished to or by a State agency and which is replenished through charges made for the goods or services, or through transfers from other accounts or funds.

The major revolving funds in terms of revenues received are as follows:

<u>Fund</u>	<u>FY 12 Revenues</u>
UH Research & Training Rev. Fund (UH)	46,447,520*
Water Pollution Control Rev. Fd. (DOH)	53,639,259
Rental Hsg. Aug./Asst. Rev. Fund (DHS)	19,299,029
St. Risk Management Rev. Fund (DAGS)	12,712,237
Drinking Wtr. Treatment Rev. Fd. (DOH)	15,585,671

NOTE: \*estimated

Source: UH Report on Non General Fund Information to the 2011 Legislature, Department of Accounting & General Services Financial Accounting & Management Information System Reports.

### Emergency and Budget Reserve Fund

Chapter 328L, HRS, relating to the Hawaii Tobacco Settlement Special Fund, which established a special fund for moneys received from the settlement between the State of Hawaii and various tobacco companies, also established the Emergency and Budget Reserve ("EBR") Fund, a special fund for emergency and "rainy day" purposes. Deposits to the EBR Fund include appropriations made by the Legislature, a portion of the tobacco settlement moneys and, under conditions established by Article VII, Section 6 of the Hawaii Constitution and Act 138, SLH 2010, a portion of the general fund balance. All interest earned from moneys in the EBR Fund is credited to the General Fund. Appropriations from the EBR Fund require a two-thirds majority vote of each house of the Legislature. The EBR Fund balance was \$24.2 million as of June 30, 2012. Projected fund balances are \$24.2 million, \$31.7 million, and \$39.2 million for FYs 2013, 2014 and 2015, respectively (not including any recapitalization amounts).

The annual proceeds from the tobacco settlement were \$56.1 million for FY 2008, \$60.4 million for FY 2009, \$50.9 million for FY 2010, \$47.7 million for FY 2011 and \$48.6 million for FY 2012. PricewaterhouseCoopers LLP, independent auditor for the Tobacco Master Settlement Agreement, has estimated that the State will receive annual proceeds from the tobacco settlement ranging from \$48 to \$63 million a year for FYs 2011 to 2027. Under the Tobacco Master Settlement Agreement, the State's proceeds are estimated to

total \$1.4 billion. The amount of future annual proceeds is not guaranteed and is subject to adjustment.

Of the tobacco settlement moneys received by the State each fiscal year, \$350,000 is deposited in the Tobacco Enforcement Special Fund to enforce the provisions of the Tobacco Master Settlement Agreement.

In the past, in addition to allocating 15% of the tobacco settlement moneys to the EBR Fund, Chapter 328L allocated 6½% of the tobacco settlement funds to the Hawaii Tobacco Prevention and Control Trust Fund to reduce cigarette smoking and tobacco use; 25% to the Department of Health (DOH) for health promotion and disease prevention programs (including up to 10% for the Department of Human Services to provide health insurance for needy children); and 28% to the university revenue-undertakings fund to be applied to finance the UH Health and Wellness Center and to cover annual operating expenses of the new medical school facility; provided that to the extent such 28% is greater than the amount needed, the excess will be transferred to the EBR Fund. The remaining 25½% was allocated to the State General Fund to reduce cigarette smoking and tobacco use. The Legislature made the following changes to the percentages allocated:

In FY 2012, 25% was allocated to DOH, 28% was allocated to UH, and 47% was allocated to the State general fund. Pursuant to Act 124, SLH 2011, the EBR Fund's portion of the tobacco settlement moneys are temporarily diverted to the General Fund in FYs 2012 and 2013. As such, no tobacco settlement moneys were deposited to the EBR Fund in FY 2012 and none is expected in FY 2013. In FY 2014, the distribution will be: 15% to the EBR, 25% to DOH, 6.5% to the Hawaii Tobacco Prevention and Control Trust Fund, 27% to UH, and 26.5% to the State General Fund. In FY 2015, distributions will remain the same as FY 2014, except for UH which will change from 27% to 26% and for the State General Fund which will change from 26.5% to 27.5%.