

State's tax forecast pushes projected deficit to \$964M

By Star-Advertiser Staff

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The state Council on Revenues lowered its revenue forecast today, increasing the state's projected two-year budget deficit to more than \$964 million, a \$266 million swing from the last forecast in December.

Economists on the council said the economy, while improving, would not recover fast enough in the remaining months of the fiscal year to reach its previous projection of 3 percent revenue growth. The uncertainty caused by Gov. Linda Lingle's decision to delay state income tax refunds last year also continues to influence the forecast.

The council agreed to lower the forecast this fiscal year to 0.5 percent growth, down from 3 percent, a \$109 million loss of revenue for the state for the fiscal year that ends in June. Gov. Neil Abercrombie did not follow the council's last forecast when drafting his budget plan, so the loss in the administration's calculations is closer to \$60 million. Still, the new projection means the governor will have to find the money over the next few months.

"I have presented proposals to make structural financial changes to face the ongoing economic challenges," Abercrombie said in a statement. "Today's Council on Revenues confirms my administration's concern that we address our fiscal crisis in a comprehensive manner. Everyone must do their share.

"We have to come to grips with how we're going to deal with this growing deficit. It will take all of us to share in the sacrifices and make the tough decisions to get Hawaii back on the right course."

The lower forecast also reduces the base for the two-year budget that lawmakers are now drafting for fiscal year 2012 and fiscal year 2013. The council bumped the forecast for fiscal year 2012 higher -- to 11 percent growth, from 10 percent, which is a positive -- and left the 2013 unchanged at 6 percent.

The projected deficit will swell by \$266 million. The previous deficit estimate, based on the December forecast, had been about \$700 million.

Paul Brewbaker, an economist and the council's chairman, said the new forecast could be off a few percentage points either way. He acknowledged that it was difficult for lawmakers to make public-policy decisions on the numbers.

Under the state Constitution, the governor and lawmakers use the council's forecasts as a guide when drafting the budget.

State Rep. Marcus Oshiro, (D, Wahiawa), the chairman of the House Finance Committee, said Abercrombie needs to immediately restrict state spending and may have to consider tapping into the state's rainy day fund and hurricane relief fund to get through the fiscal year.