



Hawai'i Tax Review Commission Monthly Report	
To: Randy Iwase, Chair, Tax Review Committee Darryl Nitta, Member, Tax Review Committee Don Rousslang, Department of Taxation Titin Sakata, Department of Taxation	Date: March 26, 2012
From: Randall Bauer, PFM Heidi Patterson, PFM	Pages: 6

PROJECT SUMMARY

The PFM Group's Study of the Hawai'i Tax System is underway and off to a strong start. There has been significant progress to date on activities associated with Phases 1 and 2 of the Project Plan. The on-site project kick-off and series of interviews held the week of March 12th provided the project team with a wealth of information relating to State expenditure and taxation issues. The interviews also underscored the State's unique culture and revenue and expenditure issues that, in many respects, set Hawai'i apart from other states. These unique attributes will be critical to determining the appropriate approach for the State tax system to ensure sustainability in the 21st century.

Key Activities Last Month:

- The Project Team completed a number of activities related to Phase 1 – Project Planning and Management and Phase 2 – Information Gathering. Specifically:
 - A detailed information request was provided to the Department of Taxation, and the team has collected a good deal of the data and resources that will be needed to develop and populate the financial models for this study. To date, the team has indexed and catalogued over 250 related documents on a shared FTP project site.
 - The Project Team provided the Tax Review Commission (TRC) with a comprehensive detailed project plan that outlined key project activities and projected timeline.
 - The Team has offered to expedite the projected timeline of the study if the TRC wishes;
 - The Team will await the feedback from the TRC on any modifications to the proposed timeline.
 - A project kick-off meeting was scheduled and held on Monday, March 12 with the TRC where the team received input on project expectations/guidance from the Commission.
 - Initial interviews with key state government leaders and external stakeholders were held the week of March 12th through March 17th. The team provided written discussion topics for most of the interviewees prior to the meetings and had a series of very productive and informative meetings.



State of Hawai'i – Study of the Hawai'i Tax System Monthly Report

In all, the team interviewed over 40 state executive and legislative branch leaders and staff as well as external stakeholders over the course of the week.

- The list of the interviews conducted to date can be found below:

Agency	Interviewee(s)
Tax Review Commission (TRC)	Randall Iwase, Chair Mitchell Imanaka, Vice Chair Roy Amemiya, Member Peter Ho, Member Mike McEnerney, Member Darryl Nitta, Member Gregg Taketa, Member
Dept. of Taxation (DOTAX)	Fred Pablo, Director Randy Baldemor, Deputy Director
Hawaii Institute of Public Affairs (HIPA)	Bill Kaneko, President & CEO Jeanne Schultz Afuvai, Executive Vice President
House Finance Committee	Representative Marcus Oshiro, Chair Legislative Committee Staff
Dept. of Accounting & General Services (DAGS)	Jan Gouveia, Deputy Comptroller Wayne Horie, Accounting Division Administrator Wayne Chu, Audit Division's Administrator
Dept. of Business Economic Development & Tourism (DBEDT)	Dr. Eugene Tian, Acting Administrator, Research & Economic Analysis Division (READ)
Office of the Governor	Beth Giesting, Healthcare Transformation Coord.
DBEDT, Energy Office	Mark Glick, Administrator Michelle Toma
Employer-Union Health Benefit Trust Fund (EUTF)	Barbara Coriell, Administrator
Employees' Retirement System (ERS)	Wes Machida, Administrator ERS Division Directors
Council on Revenues (COR)	Rick Kahle, Chair Dr. Jack Suyderhoud, Vice Chair
Dept. of Budget & Finance (B&F)	Kalbert Young, Director Neal Miyahira, Administrator
Hawaii Government Employee Association (HGEA)	Randy Perreira, Executive Director Michele Kurihara, Legislative Specialist HGEA Union Agent
Dept. of Agriculture (DOA)	Russell Kokubun, Chairperson Ken Kakesako Warren E Takenaka Earl J Yamamoto
Senate Ways and Means Committee	Senator David Ige, Chair Legislative Staff
Dept. of Human Resources & Development (DHRD)	Barbara Kreig, Director Leila Kagawa, Deputy Director



State of Hawai'i – Study of the Hawai'i Tax System Monthly Report

Chamber of Commerce	Sherry Menor-McNamara, Chief Operating Officer, Senior VP, Government Affairs
Office of Information Management & Technology (IMT)	Sanjeev "Sonny" Bhagowalia, State Chief Information Officer IMT Staff
Governor's Office	Blake Oshiro, Deputy Chief of Staff

- In the last week, the Project Team has continued to schedule and hold meetings via conference call with other individuals as requested, and additional follow-up meetings have since been scheduled.
- The financial models are currently under construction.
 - The basic 'shell' of the budget model has been completed and formatted.
 - State demographic and revenue growth forecasts have been collected and inserted into the model.
 - Meetings with the appropriate departments have been held and more are scheduled this week to determine the best way to secure the additional data needed for the model.
 - A matrix inventory of Hawai'i state taxes, destination funds and tax sunsets has been compiled and sent to the Department of Taxation for review.

Planned Activities Next Month:

- The project team will continue to work with departments (B&F, Taxation, DAGS, the CIO, etc.) to make progress on collecting the relevant data to populate the revenue and expenditure models and will work with the appropriate staff to ensure data integrity.
- The project team will continue to hold initial interviews and follow-up meetings via conference call.
- The project team will develop the key areas in which there are opportunities to benchmark Hawai'i in key areas that could potentially impact the baseline and/or key drivers of the financial models. One of the notable themes from the interviews with key stakeholders is the difficulty in defining appropriate benchmark states for Hawai'i. The approach under consideration is to use differing benchmark states in various aspects of the project, and those recommended benchmarks will be shared with the TRC prior to undertaking that research.
- The project team will conduct best practices research on tax structure and tax policy issues that are applicable to the State of Hawai'i.



ACTION, SUPPORT, OR MATERIALS REQUESTED

- To date the project team continues to work with key departments on collecting the outstanding information from the Preliminary Information Request that was provided on February 15, 2011. The Project Team will keep the TRC informed of any areas of concern related to completing the information request – to date, there have been no problems collecting the relevant information from key departments, websites and other sources.
- The Project Team will continue to schedule and hold interviews and follow-up meetings via conference call – if there are internal or external stakeholders that the TRC and staff believe are warranted, please let us know so that we can arrange meetings.
- The Team would like to set a tentative date for a mid-project milestone meeting with the TRC. It is anticipated that this will be an opportunity to discuss project high level findings with the Commission, as well as an opportunity to hold additional on-site meetings and interviews with key stakeholders. In looking at available dates and expected Project progress, the Project Team would suggest June 20-22nd for this meeting with the TRC.

ISSUES AND RISKS (Carried Over as well as New)

Issue No.	ISSUE	Proj. Impact (High/Med/Low)	Responsibility Assigned To	Actions & Status	Date Logged	Target Resolve Date
1.	Data Integrity	Medium	Project Team/Relevant Departments	The team is currently working with the appropriate departments to sort through the financial data and work with the appropriate departments to ensure data integrity.	March 19	April 2

High= Issue needs resolution, progress cannot be made, or quality will be severely impacted

Medium=Progress can be made, but will be slower, or quality will be somewhat impacted

Low= Should be resolved to ensure quality and completeness at deliverable date



State of Hawai'i – Study of the Hawai'i Tax System Monthly Report

PROJECT CALENDAR

Below is an overview of the key dates as outlined in the initial project plan for the following month (dates subject to change pending modifications/guidance from the TRC).

April 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 Data Deadline for Financial Models	3	4	5	6	7
8	9	10	11	12	13	14
15	16 Develop/Populate Financial Models	17	18	19	20	21
22	23 Benchmarking Deadline	24	25	26	27	28
29	30 Confirm Model Assumptions					

- **April 2-** Data deadline for collecting financial data to populate models.
- **April 16-** Develop and populate financial models.
Follow up with benchmarking states on survey requests.
- **April 23-** Collect outstanding benchmarking survey data.
- **April 30-** Confirm model assumptions with state SMEs.

May 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 Model Baseline Best Practice/ Benchmarking Research	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29 Revenue Policy Alternatives	30	31		

- **May 7-** Finalize model baselines (revenue and expenditures). Complete tax and revenue best practice research.
Finish analysis of benchmarking research data.
- **May 29-** Complete evaluation of revenue policy alternatives.



State of Hawai'i – Study of the Hawai'i Tax System Monthly Report

June 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20 High Level Findings	21 High Level Findings Chamber of Commerce	22	23
24	25	26	27	28	29	30

- June 20-21- Target date for on-site high level findings update with Commissioners.
- June 21-Potential Chamber of Commerce meeting.