



Hawai'i Tax Review Commission Monthly Report	
To: Randy Iwase, Chair, Tax Review Commission Darryl Nitta, Member, Tax Review Commission Don Rousslang, Department of Taxation Titin Sakata, Department of Taxation	Date: July 5, 2012
From: Randall Bauer, PFM Heidi Patterson, PFM	Pages: 5

PROJECT SUMMARY

The PFM Group's Study of the Hawai'i Tax System continues to make progress in several key project areas. In particular, since obtaining expenditure data from the State last month, the Project Team has spent the last few weeks carefully vetting the out-year assumptions for expenditure and revenue growth with key State subject matter experts (SMEs) that were used to construct the preliminary long-term baseline projection that was shared with the Tax Review Commission (TRC) on June 21st. The Team has a number of calls and meetings scheduled in the weeks ahead to ensure that the future expenditure assumptions accurately reflect the future obligations of the State.

As mentioned above, the Project Team was on-site in Hawai'i the week of June 18th and held the project milestone meeting with the TRC on June 21st. In addition to the meeting with the TRC, the Team also had productive meetings with the Chair of the Tax Review Commission, the Director of the Hawai'i Tourism Authority, members of the Hawai'i Chamber of Commerce, the Directors of the Department of Taxation and the Department of Budget and Finance, the Speaker of the House and members of the Finance Committee. The Team received much valuable information regarding areas of interest and other useful feedback.

Given the progress on data collection and in other areas, PFM believes the project is on target to maintain the schedule developed in the project RFP and PFM's project plan.

Key Activities Last Month:

- The initial financial models are completed and the team continues to work with the Departments of Budget and Finance, Taxation, Accounting and General Services, the CIO, etc. to refine the revenue and expenditure assumptions. Progress to date includes:
 - ✓ 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.
 - ✓ Detailed expenditure data has been received from the State and has been entered into the model. The project team has created 'crosswalks' to assist it in verifying data accuracy and integrity with State staff.



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- ✓ A matrix inventory of Hawai'i state taxes, destination funds and tax sunsets has been compiled and reviewed for accuracy by the Department of Taxation.
- ✓ The revenue and expenditure assumptions have been built into the model and the Project Team continues to work with State SMEs to ensure that these assumptions accurately reflect the future obligations of the State.
- The Project Team associated with revenue opportunities has created a matrix of options and also begun analyzing their implications in terms of revenue adequacy and sufficiency and alignment with principles of taxation and best practices.
- The Project Team has put together the initial template/report outline and started developing the final report.

The following is a list of meetings and/or interviews conducted to date:

Agency	Interviewee(s)
Tax Review Commission (TRC) (Initial kick-off meeting and Mid-Project Reporting meeting)	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) (interviews)	Fred Pablo, Director Randy Baldemor, Deputy Director
Hawai'i Institute of Public Affairs (HIPA) (interviews)	Bill Kaneko, President & CEO Jeanne Schultz Afuvai, Executive Vice President
House Speaker (meeting)	Representative Calvin Say
House Finance Committee members (meetings)	Representative Marcus Oshiro, Chair Representative Kyle Yamashita Legislative Committee Staff
Dept. of Accounting & General Services (DAGS) (interviews)	Jan Gouveia, Deputy Comptroller Wayne Horie, Accounting Division Administrator Wayne Chu, Audit Division's Administrator
Dept. of Business Economic Development & Tourism (DBEDT) (interview)	Dr. Eugene Tian, Acting Administrator, Research & Economic Analysis Division (READ)
Office of the Governor (interviews)	Blake Oshiro, Deputy Chief of Staff Beth Giesting, Healthcare Transformation Coord.
DBEDT, Energy Office (interviews)	Mark Glick, Administrator Michelle Toma
Employer-Union Health Benefit Trust Fund (EUTF) (interview)	Barbara Coriell, Administrator
Employees' Retirement System (ERS) (interviews)	Wes Machida, Administrator ERS Division Directors Colbert Matsumoto, Chair



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Agency	Interviewee(s)
Council on Revenues (COR) (interview)	Rick Kahle, Chair Dr. Jack Suyderhoud, Vice Chair
Dept. of Budget & Finance (B&F) (interviews)	Kalbert Young, Director Neal Miyahira, Administrator
Hawai'i Government Employee Association (HGEA) (interview)	Randy Perreira, Executive Director Michele Kurihara, Legislative Specialist HGEA Union Agent
Dept. of Agriculture (DOA) (interview)	Russell Kokubun, Chairperson Ken Kakesako Warren E Takenaka Earl J Yamamoto
Senate Ways and Means Committee (meeting)	Senator David Ige, Chair Legislative Staff
Dept. of Human Resources & Development (DHRD) (interview)	Barbara Kreig, Director Leila Kagawa, Deputy Director
Chamber of Commerce (meeting)	Sherry Menor-McNamara, Chief Operating Officer, Senior VP, Government Affairs Chamber Committee Members
Office of Information Management & Technology (IMT) (interview)	Sanjeev "Sonny" Bhagowalia, State Chief Information Officer IMT Staff

Planned Activities Next Month:

- The project team will continue working with departments to vet key expenditure and revenue growth rate assumptions for the model.
- The project team will further refine the high level findings that were discussed with the Tax Review Commission and continue the analysis needed for documentation for the final report.
- The project team will begin drafting reports and recommendations.

ACTION, SUPPORT, OR MATERIALS REQUESTED

- After the meeting on June 21st with the TRC, the Project Team was asked to return in August and demonstrate the model. Based on scheduling availability, we would propose holding these demonstrations on August 29th, 30th or 31st. The Project Team asks for support in scheduling these demonstrations to those interested.
- In addition to the demonstrations, the Project Team will need additional assistance from the State in scheduling the final vetting meetings with State SMEs as the models and outputs are finalized for the draft report.



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ISSUES AND RISKS (New Issues Only)

Issue No.	ISSUE	Proj. Impact (High/Med/Low)	Responsibility Assigned To	Actions & Status	Date Logged	Target Resolve Date
5.	Model Demonstration Scheduling	Low	Tax Review Commission	Settle on a time and date for the Model demonstration in Honolulu for August 29, 30, 31.	July 5	July 19
6.	Follow-on interviews	Low	Project manager	PFM will need assistance scheduling interviews as they carry out an extensive vetting process with State SMEs as they refine and finalize models and output.	July 5	Present date – End of Project

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



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PROJECT CALENDAR

Note: The project calendar was pushed back to reflect the lack of data sufficient to complete the financial models necessary for sufficient analysis last month. Below is a revision to those project dates from July through August as previously reflected in the initial Project Activities and Projected Timeline. These new dates will also rely on extremely prompt replies to the final data needs of the Project Team.

July 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16 Finalize Revenue/ Expenditure Assumptions	17	18	19	20	21
22	23	24	25	26	27	28
29	30 Finalize Models and Outputs	31				

- **July 16**-Finalize all revenue and expenditure assumptions
- **July 30**-Finalize all models and outputs

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 Finalize Draft Report	21	22	23	24	25
26	27 Client review of Draft Report	28	29 Possible Live Model Demo	30 Possible Live Model Demo	31 Possible Live Model Demo	

- **August 20**-Team to finalize initial draft report
- **August 27**-Client review of draft report for discussion
- **August 29-31**-Potential dates for model demonstration