

## COUNCIL ON REVENUES

No. 1 Capitol District Building  
250 S. Hotel Street  
Diamond Head Conference Room 436  
Fourth Floor  
Honolulu, HI 96813

Wednesday, October 21, 2009  
2:00 p.m.

### PRESENT:

#### Council Members:

Paul Brewbaker (Chair), Jack Suyderhoud (Vice Chair), Pearl Iboshi,  
Richard F. Kahle, Jr. and, Albert Yamada

#### Staff Members:

Department of Taxation: Tu Duc Pham, Titin Sakata, Yvonne Chow,  
Hamid Jahanmir, Cathleen Tokishi and Jacquelyn Guitguiten  
Department of Budget and Finance: Neal Miyahira

#### Others:

Charles Carole, Honolulu League of Women Voters  
Lowell Kalapa, Tax Foundation of Hawaii  
Nandana Kalapahana, House Finance  
Stacy Ogimi, Senate Committee on Ways and Means  
Andrew Pereira, KHON2 News  
Stanley Shiraki, Department of Taxation  
Tony Valdez, Senate Ways and Means

### ABSENT:

#### Council Members:

Carl Bonham  
Dean Hirata

### CALL TO ORDER:

The Chair called the meeting to order at 2:03 P.M. with a quorum present.

COMMUNICATIONS TO THE COUNCIL:

None.

MINUTES OF THE MEETING OF AUGUST 27, 2009:

The Chair asked if there were any comments regarding the minutes of the August 27, 2009 meeting. There were no comments, so the Chair called for a motion to approve the minutes.

It was moved by Mr. Kahle, and seconded by Mr. Yamada, that the minutes of the August 27, 2009, meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Paul Brewbaker	Yes
Jack Suyderhoud	Yes
Carl Bonham	Absent
Dean Hirata	Absent
Pearl Iboshi	Yes
Richard F. Kahle, Jr.	Yes
Albert Yamada	Yes

TOTAL PERSONAL INCOME FORECAST:

The Council discussed the current numbers for total personal income. Based on the numbers for the first-half of the year, the Chair pointed out that at this rate we are not going to get anywhere near the growth rates previously forecasted. Dr. Pham stated that the current forecast is 0.95% growth rate for 2009 and 1.80% for 2010.

The Council discussed the numbers generated by the models. For 2009, the models' growth rate forecasts range from 0.0% to 2.5%, and for 2010, from 0.2% to 1.4%. Both models have construction and visitor arrivals as dependent variables. The Chair mentioned that construction expenditures were going to be down and visitor arrivals would be flat at best.

Dr. Iboshi stated that, for the second half of 2009 we were expecting visitor arrivals to be slightly positive or flat. For the calendar year 2009 DBEDT is expecting it to be down by 6.0%, but the University of Hawaii Economic Research Organization revised its visitor arrivals forecast to be down about 4.0%.

There was a brief discussion about the decrease in the personal income due to furloughs of public employees starting November 5, 2009.

The Chair asked the Council if they could agree to vote on a forecast of zero growth for two years. Dr. Suyderhoud suggested they forecast the two years separately.

The Chair stated the forecast would be 0% growth for 2009 and a positive number for 2010. He said he was pretty sure we are headed to zero growth and that the second-half of the year is not expected to be different from the first-half.

Dr. Iboshi agreed that zero would be the best growth forecast for 2009.

Dr. Suyderhoud asked if there were any impacts from the Cash for Clunkers in the third quarter. The Chair responded that the Cash for Clunkers program shows up in the retail sales quite vividly and probably added a percentage point or two to the third quarter general excise tax, although Hawaii does not produce automobiles. The Chair added, except for home sales, which at this point has very little growth.

Dr. Suyderhoud asked the Chair if he wanted to make a motion for a forecast of zero growth for calendar year 2009, given that the current forecast is 0.95%.

It was moved by Dr. Suyderhoud, and seconded by Dr. Iboshi, that the Total Personal Income forecast for CY 2009 be for growth of 0%. The Chair called for the vote, and the motion passed with the following votes:

Paul Brewbaker	Yes
Jack Suyderhoud	Yes
Carl Bonham	Absent
Dean Hirata	Absent
Pearl Iboshi	Yes
Richard F. Kahle, Jr.	Yes
Albert Yamada	Yes

The Chair mentioned that, if 10 to 15 percent of the workforce takes an 8 or 9 percent pay cut, that is not quite a percentage point of the total personal income. Dr. Pham said the model does not factor in the drop in wage of the state employees.

The Chair said that in 2010 we are on record for 1.3% and, we have got the furloughs, some of the tourism back, but we still have a lower construction activity. It was asked whether there was any impact of a weaker dollar on tourism. Dr. Iboshi said there is an increase in Japanese visitors now. The Chair responded that the yen has been at 95 to 100 per dollar for a long time but the visitor numbers from Japan have not improved that much.

The Chair noted that last time the yen was up 9 and 10 yen per dollar, there were a million more people coming to Hawaii from Japan. He doubted that we would get anything like that even if the yen were to appreciate another 10 or 20 yen per dollar and that all of these things are of order of magnitude that is quite small. Dr. Iboshi added that we thought it was going to be a great year for Japanese tourism, because it started out pretty strong, but then H1N1 came and totally knocked it out.

The Chair noted that construction output continues to fall. The September forecast has projects ending with no replacements, and even when you build in stimulus assumptions it will only partially offset the construction decline.

Dr. Suyderhoud asked about the revenue side. The Chair indicated that general excise tax is down by 11.8%, and overall tax revenue is down by 9.7%. There has been no improvement in the growth rates of withholding tax on wages.

It was moved by Dr. Iboshi, and seconded by Dr. Suyderhoud that the Total Personal Income forecast for CY 2010 be 0.6%. The Chair called for the vote, and the motion passed with the following votes:

Paul Brewbaker	Yes
Jack Suyderhoud	Yes
Carl Bonham	Absent
Dean Hirata	Absent
Pearl Iboshi	Yes
Richard F. Kahle, Jr.	Yes
Albert Yamada	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Thursday, December 17, 2009, at 2:00 pm; however, the date and time will be confirmed by e-mail. The Council staff will attempt to secure the Office on Aging Conference Room for the meeting.

ADJOURNMENT:

The meeting adjourned at 2:34 p.m.