

## **COUNCIL ON REVENUES**

Office on Aging Conference Room  
No. 1 Capitol District Building  
250 S. Hotel Street  
Fourth Floor, Room 410  
Honolulu, HI 96813

Tuesday, August 3, 2010  
2:00 P.M.

### **PRESENT:**

#### Council Members:

Jack Suyderhoud (Vice-Chair), Carl Bonham, Richard F. Kahle, Jr., Dean Hirata and  
Albert Yamada

#### Staff Members:

Department of Taxation: Joseph Tichy, Titin Sakata, Hamid Jahanmir and  
Jacquelyn Guitguiten  
Department of Budget and Finance: Terri Ohta and Sharon Kotaka

#### Others:

Maurice Morita, Hawaii LECET  
Anthony Valdez, Senate Ways and Means  
Roderick Becker, Senate Ways and Means  
Lowell Kalapa, Tax Foundation of Hawaii

### **ABSENT:**

#### Council Members:

Paul Brewbaker (Chair)  
Pearl Iboshi

### **CALL TO ORDER:**

In the absence of the Chair, the Vice-Chair, Dr. Suyderhoud presided over the meeting. The Vice-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 MAY 27, 2010:**

The Vice-Chair asked the Council for any comments regarding the minutes of May 27, 2010 meeting. There were none, therefore the Vice-Chair called for a motion to approve the minutes.

**It was moved by Mr. Kahle, and seconded by Dr. Bonham that the minutes of the May 27, 2010 meeting be accepted. The Vice-Chair called for the vote, and the motion passed with the following votes:**

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

**TOTAL PERSONAL INCOME FORECAST:**

The Vice-Chair acknowledged the presence of Economist, Hamid Jahanmir of the Department of Taxation. Next, the Council discussed the current numbers for total personal income.

The Council's official forecast in October 2009 was 4.6%. By May 2010, their implicit assumption, used for forecasting general fund revenues, was 1.8%. The Vice-Chair inquired about the latest data for total personal income.

Dr. Bonham indicated that the growth rate of personal income was about 0.25% in 2009 and 2.3% in the first quarter of 2010. He mentioned that the personal income numbers were announced by the U.S. Bureau of Economic Analysis (BEA) on Monday (August 2, 2010) and National GDP numbers last Friday (July 30, 2010).

Dr. Bonham further indicated that according to his model, which contains all of the most recent job data, the forecast of the growth rate of personal income for 2010 is about 2.1% and for 2011 is about 2.8%. He noted that comparing to one quarter ago the forecast really has not changed all that much. He also indicated that there is a significant increase in jobs in some of the sectors on Oahu particularly in trade, accommodations and food industries. Dr. Bonham agreed with the Vice-Chair that this job increase is very much visitor-driven.

The Vice-Chair asked Mr. Hirata and Mr. Yamada whether they have seen any strength in the economy. Both Council Members agreed that the economy is picking up. Mr. Yamada stated that, as an example, the number of people who use charge cards for their purchases, were up over 5% on a year-over-year basis. That is for the same-day sales last year and this year, comparing the same vendors and same number of days. Mr. Hirata added that they are seeing similar gradual pick-up in economic activities.

The Vice-Chair asked the Department of Taxation to provide an update of the general excise tax collections. Ms. Sakata said that for FY2010, general excise tax collection was down by 4.3%, but the quarterly collections have been improving.

The Council Members agreed with the Vice-Chair that the economy is experiencing modest strengthening, although not enormously robust.

Dr. Bonham indicated that he believes the economy will be adding jobs, but the growth will largely depend on whether the visitors do not completely disappear from September through November and December and if the extra airline seats and the good prices keep them coming.

The Vice-Chair asked the Council Members for a forecast for CY2010 and Dr. Bonham offered 2.3%.

The Council Members looked at the growth in job numbers. It appeared that on a year-over-year basis the economy is still losing jobs. But, the job data show that it was bottomed in the 4<sup>th</sup> Quarter of last year.

The Council Members considered and discussed the strength of the Transient Accommodations Tax (TAT) and thought of the possibility that visitors are spending in the hotel rooms but not in the stores--explaining a possible reason for the discrepancies between positive growth rate in TAT and decrease in GET.

The Vice-Chair asked the Council whether there is any further discussion. There was no further discussion. The Vice-Chair asked for a motion to forecast the growth rate of total personal income at 2.3% for CY2010.

**It was moved by Dr. Bonham, and seconded by Mr. Yamada, that the Total Personal Income forecast for CY2010 be 2.3%. The Chair called for the vote, and the motion passed with the following votes:**

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

Next, the Council discussed the forecast of total personal income for CY2011.

Dr. Bonham indicated that he obtains a 3.15% forecast of personal income for CY2011 from averaging his two fiscal years forecasts for 2011 and 2012. The Council considered and discussed a 3.0% forecast for CY2011.

The Vice-Chair asked the Council whether there is any further discussion. There was no further discussion. The Vice-Chair asked for a motion to forecast the total personal income at 3.0% for CY2011.

**It was moved by Mr. Hirata, and seconded by Dr. Bonham that the Total Personal Income forecast for CY2011 be 3.0%. The Vice-Chair called for the vote, and the motion passed with the following votes:**

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

The Vice-Chair concluded that the Council's forecast for CY2010 is at 2.3% and for CY2011 at 3.0%, which is kind of an improvement over the previous forecast. Dr. Bonham agreed with the Vice-Chair in saying that they are actually a little more optimistic about 2010 than they had been before.

**NEXT MEETING:**

The Council tentatively agreed to meet on Wednesday, September 8, 2010 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 2:33pm.