

## COUNCIL ON REVENUES

Princess Ruth Keelikolani Building  
DLIR Conference Rooms Third Floor  
Room 310-313  
Honolulu, HI 96813

January 7, 2014  
2:00 p.m.

### **PRESENT:**

#### Council Members:

Kurt Kawafuchi (Chair), Marilyn M. Niwao (Vice-Chair), Carl S. Bonham, Christopher Grandy, Jack P. Suyderhoud, Elizabeth P. Cambra and, Kristi L. Maynard

#### Staff Members:

Department of Taxation (DOTax): Donald Rousslang, Hamid Jahanmir, and Jacquelyn Guitguiten

Department of Budget and Finance (B&F): Terri Ohta, Gregg Hirohata-Goto, Keith Shimada, Neal Miyahara, Donovan Chun and, Karisa Look

#### Others:

Marc Takei, House Minority  
Paul Harleman, Senate Minority  
Sharon Kotaka, Budget and Finance  
Paul Young  
Dan Purcell  
Mike McGrane, HART  
Susan Hirai, Senate Ways and Means  
Calvin Azama, Senate Ways and Means  
Nandana Kalupahana & Staff, House Finance  
Mallory Fujitani, Department of Taxation  
Titin Sakata, Department of Taxation

### **CALL TO ORDER:**

Vice-Chair Niwao called the meeting to order at 2:06 p.m. with a quorum present.

### **COMMUNICATIONS TO THE COUNCIL:**

Vice-Chair Niwao asked if there was any communication to the Council. Dr. Rousslang said there was one communication, for which the Council had to amend the agenda first to allow a vote. Vice-Chair Niwao called for a motion to amend the agenda to include a motion by the Council relating to the passing of Mr. Lowell Kalapa, Executive Director of the Tax Foundation of Hawaii.

Dr. Grandy made the motion and Ms. Maynard seconded the motion. The Vice-Chair asked for the vote to amend the agenda to allow the communication regarding the passing of Mr. Lowell Kalapa. The motion carried with all members in favor.

**It was moved by Dr. Grandy and seconded by Ms. Maynard that the Agenda be amended to include the passing of Mr. Lowell Kalapa, Executive Director of the Tax Foundation of Hawaii. The Vice-Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Absent</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>

Vice-Chair Niwao asked for the communication. Dr. Suyderhoud said the motion would be as follows:

"The Hawaii Council on Revenues expresses its condolences on the death of Mr. Lowell Kalapa, Executive Director of the Tax Foundation of Hawaii. Mr. Kalapa was an active observer of the Council who provided frequent input to Council discussions. His expert opinions on Hawaii Tax Policy (laws and trends), were welcomed and appreciated by the Council. The Council also recognizes Mr. Kalapa's contributions to the wider community through his principal opinions regarding tax policies and choices. The Council notes that Mr. Kalapa's presence and voice will be greatly missed."

Vice-Chair Niwao asked for a second to the motion. Ms. Maynard seconded the motion. Vice-Chair Niwao expressed the Council's condolences on the death of Mr. Lowell Kalapa. She said she personally would miss Lowell because she had known him for many years, and he had great insight in tax policies. She said his knowledge of tax history would make him almost irreplaceable to the State of Hawaii. She said his passing was a big loss.

**A motion was made by Dr. Suyderhoud and seconded by Ms. Maynard that "the Hawaii Council on Revenues expresses its condolences on the death of Mr. Lowell Kalapa, Executive Director of the Tax Foundation of Hawaii and, as an active observer of the Council who provided frequent input to Council discussions. His expert opinions on Hawaii tax policy, laws and trends were welcomed and appreciated by the Council. The Council also recognizes Mr. Kalapa's contributions to the wider community through his principal opinions regarding tax policies and choices. The Council notes that Mr. Kalapa's presence and voice will be greatly missed". The Vice-Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Absent</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>

<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>

**MINUTES OF THE MEETING OF OCTOBER 31, 2013:**

Vice-Chair Niwao asked the members for comments on the minutes of the October 31 meeting. There were no comments. Vice-Chair Niwao asked for a motion to accept the minutes.

**It was moved by Dr. Suyderhoud and seconded by Dr. Grandy that the minutes of the October 31, 2013 meeting be accepted. The Vice-Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Absent</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>

Dr. Suyderhoud suggested that the Council reverse items 4 and 5 on the agenda to receive the Budget and Finance (B&F) report first. Vice-Chair Niwao agreed and said that the Council would skip the general fund revenue forecast until Chair Kawafuchi arrives, and would proceed with the report from Budget and Finance.

Mr. Chun from Budget & Finance provided the Council with the following revenue updates.

**REPORT BY THE DEPARTMENT OF BUDGET & FINANCE ON OTHER REVENUES:**

**Significant Changes from September 2013 Report**

**Special Fund Non-Tax Revenues** reflect the following significant changes: decreases in anticipated federal fund reimbursement of Medicare costs (DOH – HHSC), a decrease in tuition revenue due to reduction in enrollment (UOH), and increases due to a one-time \$19 million adjustment for September 11 business insurance recovery award, and operating expense recovery through the airport airline cost system (DOT - Airports).

**Other than Special Fund Non-Tax Revenues** reflect net decreases in federal funding for Operating Aid in Federally Impacted Areas and No Child Left Behind Grants in (Department of Education), and adjustments to reflect actual revenue projections for federal reimbursements for the Childcare and Development Fund, Foster Care of Needy and Dependent Children, the First-to-Work Program in (DHS) and a reforecast of the anticipated bond proceeds for construction or rehabilitation of affordable rental housing projects (HHFDC).

Chair Kawafuchi arrived at the meeting and resumed as Chair. Dr. Bonham and Dr. Suyderhoud noted the items that the Council already had discussed. Chair Kawafuchi asked that the Council move to accept the B&F report. The Council voted and they were all in favor of accepting the B&F report as submitted.

**Dr. Bonham moved to accept the B&F report as submitted and, Ms. Niwao seconded. The Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Yes</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>

**GENERAL FUND REVENUE FORECAST:**

Next on the agenda was the General Fund revenue forecast. Dr. Rousslang said the Council's last forecast for the general fund growth rates were 4.1% for FY 2014 and 7.4% for FY 2015. He said in 2014, there had not been any changes in the tax laws and therefore no changes in below-the-line adjustments, and that the only changes had been the Council's economic forecasts shown in Table 1.

Dr. Rousslang added that in the September meeting, the Council had a forecast of 4.9% for 2014 and 7.0% for 2015, but the Council brought down the 2014 forecast from 4.9% to 4.1%.

Ms. Niwao said there were delays in the payments of the refunds from September and October of last year (2012). She added that 2012 was a year in which she was telling clients to recognize as much income as possible, because the tax rates were going to increase in 2013. She said a significant amount of refunds came late. She also said the timing of payments to the City and County of Honolulu for the County Surcharge and some tax refunds caused payments to be moved from last year to July of this year.

The Chair asked if Ms. Niwao thought that this fiscal year more refunds were being paid out in July than the prior year. Ms. Niwao said she called the State tax office in June saying a client had not yet received his refund from late February 2013. The Chair said he knew that there was a big push within the Tax Department in July to make sure the refunds went out, because after 90 days they start to incur interest.

Dr. Grandy said the Council under-forecast general fund revenue for the last 3 years by about 3 percentage points. He said what mattered was what was happening in the economy. He thought the Council was under-forecasting the economy. He said he thought the economy was slowing now, and therefore the revenue growth was going to be smaller than anticipated last September.

Dr. Suyderhoud said the model seemed to have picked that up. Dr. Grandy agreed. The Chair asked which sectors of the economy were slowing down. Dr. Grandy said tourism and even construction (contracting tax base) had been slowing. Dr. Suyderhoud agreed that the contracting

tax base had been slowing. Dr. Bonham said when all is said and done they were going to find out that 2013 was even stronger than they thought. He said outside the visitor sector he did not think that slowing down was a permanent feature of the economy. He said in the Council's forecasts for next year and the year after, they still have growth in visitor arrivals, and continued growth in real visitors spending. He said they are not going to see double-digit growth in visitor arrivals or in spending, but they are still growing.

The Chair asked if the visitor capacity was full. Dr. Bonham and Ms. Cambra said Waikiki's capacity was full. Dr. Bonham said the neighbor islands were not. Ms. Cambra said the neighbor islands had plenty of room availability. Dr. Bonham said if they could get the US visitors to come, they could fill up the neighbor islands.

Dr. Suyderhoud asked Ms. Cambra about next year's outlook for the visitor industry in terms of bookings and seat capacities. Ms. Cambra said the seat capacity to the neighbor islands still remained a challenge, and was still down compared to years ago. Also, the cost to get to the neighbor islands was up, so many people chose to stay in Waikiki, which was good for Waikiki and Oahu, but not for the neighbor islands. She added that the industry anticipated positive gains in 2014, but it was not going to reach the same level as prior years.

Dr. Suyderhoud asked if by positive she meant zero to five, or five to ten. Ms. Cambra said 5 to 10. Dr. Bonham agreed that visitor arrivals could grow by that much. Ms. Cambra said the seat capacity looked very healthy. She agreed with Dr. Bonham that the international arrivals were really quite healthy and the currency exchange rate forecasts still looked healthy going into 2014 and early 2015. She said that was the reason for continued growth in international arrivals.

The Chair asked about the seat capacity from the US mainland. Dr. Bonham said it was almost flat.

Ms. Niwao said that since they were raising the airfares and hotel prices, visitors would not go to restaurants. She said many restaurants on Maui were going out of business, while Costco and the grocery stores were busy visitors bought the things they needed from Costco or grocery stores and went to their timeshares or condominiums where they spent maybe a week, but they were not frequenting the normal tourist attractions and the restaurants. She said right after Christmas they were busy again (on Maui), but before then it was very slow. She said it was a strange economy because some businesses were doing well and some were not. She said some people were still suffering from the same problems we had with the economy in 2009. She said some architects thought there were still problems with getting permits and approvals on a timely basis. She said there was a long lag time in the construction industry because of government red tape. She said the concerns about funding availability did not take into account the long lags to get a project going, even if it was planned.

The Chair asked Ms. Maynard what she thought. Ms. Maynard said she had been looking at the visitor arrivals and spending numbers, which were down for 3 months. She said the last time they met, they were only looking at the September number.

Ms. Cambra said she thought that the peak periods remained extremely healthy. She said off seasons seemed a little bit more abnormal compared to the past few years. She said they were still slightly soft but, if compared over a five to a ten-year period, they were still not down.

Dr. Bonham said the total passenger count was flat. Ms. Maynard said the yen exchange rate was weakening in the last 3 months. She said that would affect Japanese spending. She said it was troubling because the visitor industry was such a big part of the local economy. Ms. Niwao said she was also worried about the 3 straight months of downward movement of visitor arrivals and expenditures. She wondered whether this was a trend or temporary.

The Chair said three months was worth more attention. Ms. Maynard agreed that one month could be a fluke, but 3 months was worrisome. Ms. Cambra said the interesting thing was that airlines continued to merge and it took consumers time to get used to the new situation. She said the consumers seemed to be finally grasping the fact that this was just the new norm for fares. She said there had been some periods that the airlines went above the norm, even higher than during the peak season, but that had stopped. She said if the consumers were going to compare Hawaii to Mexico and other destinations, there were much less expensive destinations and some people were willing to go with the less expensive destinations, but also many people still chose to come to Hawaii. She said we still had to be cognizant of other destinations.

The Chair asked Dr. Suyderhoud what he thought. Dr. Suyderhoud noted that September, October, and November were down, but it looked like a rebound in December. He said it was hard to say how much of it is transitory. He said the growth rate of tourism had slowed down and since that was an important part of the economy, it was bound to affect the forecast.

Ms. Niwao said her concern was that the trend in health insurance and medical costs, something like 8% to 10% a year for extended periods, was greatly exceeding the normal inflation rate. She said as the amount of spending for healthcare increases, the amount spent for other discretionary items would decrease. She said many big companies on the mainland were dropping the health insurance coverage for employees, telling them to go on-line to the healthcare exchanges and see if they could get some Federal tax credits that were available to lower-wage employees if the employer did not cover them. She said the mainland employees were telling her that what they had to pay in health insurance was much higher than what the employer was paying, and what the employer paid to the employee as an allowance was much less than the cost of the employee's health insurance. She thought that was why many employees had less to spend for vacations. She said her concern was that people might have to spend more on other things other than vacations, which could have affected the visitor industry and Hawaii. Many of those on the mainland did not previously pay for health insurance, and this is now being made a requirement under the Affordable Care Act (Obamacare).

Dr. Grandy said nationally, the inflation rate for healthcare spending remained surprisingly low, in the 3% to 4% range, and that it had been that way for the last 3 or 4 years.

Ms. Niwao said Medicare has cut back on what they were covering and what they are paying to the doctors. She said Medicare was not going to offer the same coverage that it did in the past.

Dr. Bonham said the slowdown in healthcare spending actually led the Office of Management and Budget to lower its projected deficits for the US Government, projecting lower healthcare costs for the next 30 years.

Ms. Niwao said accountants from other States were appalled by the fact that they had to buy health insurance, as a lot of them were not getting any insurance or paying insurance for their employees. She said the deductibles for these insurance policies under Affordable Care Act were quite high.

Ms. Maynard asked how they could factor that into their forecast. Ms. Niwao said it would be too hard to calculate the effect.

Dr. Suyderhoud said it was going to be interesting to see what the overall macro-economic effects of the Affordable Care Act and other related things were going to be in the next year or so, but following up on Ms. Maynard's question, the effects would show up in the macro-economic assumptions, which have resulted in a slowdown of the revenue forecast. Ms. Niwao said studies that try to quantify the effect on the economy had found it very difficult. Dr. Bonham said that was the whole point.

Dr. Suyderhoud said there was some uncertainty associated with the implementation of ACA (Affordable Care Act).

Ms. Niwao asked if they could just lower the amount that they expect from visitor arrivals and visitor expenditures. Dr. Bonham said reasons to lower the visitor forecast would be if the US economy was not doing well or if the yen was depreciating. He said the projections were 2.5% for the real growth in GDP (Gross Domestic Products). He said that half a percent was large relative to the other things that we are uncertain about, and that was what they should focus on. He said if they had to worry about something, it should be the Japanese consumption tax. He said in their (UH Economic Research Organization-UHERO) forecast the Japanese visitor arrivals were coming down quarter by quarter, possibly because of the effects of yen depreciation. Ms. Maynard said the yen was a hundred and four now, so it had gotten worse. Ms. Niwao said that, maybe the record cold would bring people to Hawaii. Dr. Bonham said their job growth forecast was increasing, but their visitor spending forecasts, and their visitor arrivals forecasts were relatively low. He said he thought that their model, which was taking them down from 4.1% to around 2%, was too low. He said the Council had been too low every year for the last 3 years. He thought 3.6% would be a more reasonable forecast.

Ms. Niwao said the growth in taxes we had collected through November, was negative 0.6%. Dr. Suyderhoud said yes, but \$55 million of that went into the Hurricane Fund and there were other allocations.

Ms. Maynard said the December cumulative collections looked flat, so to get to a higher number, the second half of the year had to be much higher, which seems unrealistic.

Dr. Suyderhoud said they had to be careful, because the 0.6% growth was the result of below-the-line numbers like the \$55 million dollars. Dr. Rousslang said collections in the early months were also affected by the county surcharge allocation. He said they needed growth of 7.2% for the rest of the year (over last year) in order to meet the Council's 4.1% forecast. Dr. Suyderhoud said yes, but their 4.1% is the below-the-line number. Dr. Rousslang said yes, the 7.2% is what they would need for collections for the rest of this year (above those collections in those same months last year) in order to reach 4.1%.

Dr. Grandy asked if it was helpful to suggest a 2014 forecast for discussion. Ms. Maynard asked him if he was willing to suggest a number. Dr. Grandy said he was, but thought that Dr. Bonham could offer another number. Dr. Bonham said he thought that the 2.6% number coming out of Model 1 was on the low side. He said he was looking at the number Dr. Rousslang mentioned, but he was not convinced it was right. He asked Ms. Niwao if that was the number she calculated for the Council's testimony. Ms. Niwao said yes.

Dr. Grandy said if he had to make a below-the-line forecast for FY2014, it would be something like 3.25%.

Dr. Suyderhoud said his model had 3.4% or 3.6% for below-the-line forecast.

Dr. Bonham said his model had 3.7%.

Ms. Niwao said she had not seen any evidence that collections would be going up for the rest of the year. She said her concern was the actual collections to date. She said she was looking at the accounts (tax) receivable numbers that she received from Dr. Rousslang. She said the numbers looked like the amount of receivables was down from prior periods.

Ms. Maynard asked if the Council lowered its forecast to 3.3, what would have been the needed increase in collections for the rest of the year to achieve it.

Dr. Bonham said they would need about 4.5% for the second half of the fiscal year to get to 2% growth for the whole fiscal year. Dr. Suyderhoud said yes, but they were discussing 3.3% forecast.

Ms. Niwao said she did not think growth was going to be that high in the second half of the year.

Dr. Bonham said April and May were the highest months for general fund collections.

Ms. Niwao said that in November, the GET collections were lower than the prior year, even without the \$55 million Hurricane refund adjustment.

Dr. Suyderhoud asked if the forecast of 3.3% was still under consideration. Dr. Grandy said yes. Dr. Suyderhoud asked if it had been seconded.

Ms. Maynard said she thought 3.3% was a big number. She said the tax collections had been flat or negative up to then and they were expected to make it all up in the next 6 months.

Dr. Grandy said it had to be 7.3% for 4.1% forecast as opposed to around 5% for the 3.3% forecast.

The Chair asked about the activities in the retail sector.

Ms. Niwao said they were reporting lower sales for the Christmas season and they were hoping to get more sales after Christmas, but they reported less, maybe because they had one week less for Christmas sales. She said certain industries were doing well, others were not, so it was very hard to judge.

Dr. Bonham said the Council was overly focused on the fact that their current year-to-date number was negative. He said the August number was down because of the \$55 million and November was off by 2% to 2.4%. The September and October year-over-year were not down much because they were year-over-year up-months. Ms. Niwao said yes, but they were heading down. Dr. Bonham asked why, if the year-over-year growth was positive, why they are heading down. Ms. Niwao said cumulatively they were down.

Dr. Bonham said the Council was forecasting the general fund. He said he understood that the GET was an important component of that, but they were narrowly focused on the fact that as of right then the cumulative number was negative. He said if they take out those things that caused it to be negative, they would have had a 2.7% growth rate. He said the question was what the underlying economy would produce in tax revenue growth for the next 7 months.

Ms. Maynard asked if 5.3% growth for the rest of the fiscal year was needed to hit the 3.3%. She said the 3.3% looked too optimistic.

Dr. Bonham said the growth should be 5% if they just took the nominal income growth.

Ms. Niwao said if they collected the Expedia money they would probably be a lot better, but that was still in escrow and they cannot count on that.

Dr. Bonham said he was comfortable with what Dr. Grandy had suggested and thought that the rest of the year should be growing at 5%, even with the slowing factors that they already have noted. Ms. Niwao thought 2.5% was more appropriate. Dr. Suyderhoud said he was happy with 3.3%. Ms. Maynard suggested 3%.

The Chair asked if the net income was growing at 2.5%. Dr. Rousslang said in the last meeting they had 2%. The Chair asked how they got to 3.3%. Ms. Maynard said by projecting 5.3% for the rest of the year. Ms. Niwao said that, in other words, they had to be optimistic and say the tax collections were going to grow for the rest of the year. Ms. Maynard asked if she would be comfortable with 3%. Ms. Niwao said probably.

Dr. Suyderhoud asked if there was a motion on the floor. Ms. Niwao asked if he wanted to vote on the 3.3%. Dr. Bonham said he would second Dr. Grandy's 3.3% motion. Ms. Niwao said she thought 3.3% was too high. She said they are not going to get the boost they did last year because people reduced their income this year. Dr. Grandy said she was talking about high-income individuals. Ms. Niwao said they paid much in taxes. Dr. Grandy said the macro-economic effects were not that large. He said a substantial amount of revenue come from people with less income, the people in the middle, because there were so many of them. He said the 3.3% took into account the slowing of the economy.

The Chair asked how they got 3.3% when GET was either 2.2% or 2.7% according to Dr. Bonham and income was up only 2%. Dr. Suyderhoud said he was talking about the total general fund. The Chair said yes, but how did they get there, when GET and income were not growing that fast. Dr. Suyderhoud said because they were assuming that the second half of the fiscal year would be stronger than the first half.

Dr. Bonham said 2014 would be a better year for the U.S. than 2013. Despite the Affordable Care Act and higher taxes, it would be a stronger year with stronger job growth and income growth. He said that should translate into the ability to bring some of those US visitors back to the neighbor islands with the help of the airlines and the hoteliers.

Ms. Maynard asked if Dr. Bonham thought the economic growth in Hawaii was going to double for the next 6 months compared to the first 6 months. Dr. Bonham said the tax revenue growth might, but did not think the overall economic growth will. The Chair asked what would create that. Dr. Bonham said the numbers they had been seeing now were abnormally low. He said the factors that contributed to that would not be repeated in the next 6 months of 2014. He said the higher payroll tax rate had a large effect on retail sales and people going to restaurants. He said the underlying strength of the economy was there and it would have grown by 5% last year if it were not for those factors.

Dr. Suyderhoud said there was a motion on the floor to forecast revenue growth of 3.3%. The Chair asked if he called for a vote. Dr. Suyderhoud said yes. The Chair asked for all in favor. The motion carried 4 to 3.

**Dr. Grandy made a motion that the general fund tax revenues growth rate (below-the-line) be at 3.3% for FY 2014. Dr. Bonham seconded. The Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>No</b>
<b>Marilyn Niwao</b>	<b>No</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>No</b>

The Chair asked about the forecast for the out years.

Dr. Suyderhoud said the model forecasts for 2015 showed substantial increases in 2015.

The Chair asked for the dollar amount that came out of the 3.3% growth in 2014. Dr. Grandy said \$5,647,330 (in thousands of dollars).

Dr. Suyderhoud said that was about \$43million decline from what they had before, which was \$5,690,941. Dr. Grandy said he recalled from previous meetings that there was an unusual time profile of revenues because of tax law changes. He said he did not quite understand how they moved the old forecast of 4.1% below-the-line growth, hopping up to 7.4%, 7.7% and then down in later years.

Dr. Bonham said it was a whole bunch of stuff (tax laws and credits), that expires. Dr. Suyderhoud said it was not showing up on the below-the-line adjustments in Table 6AA (in the workbook). He said he did not think his input variables would cause his forecast to go from 4% in 2014 to 9.6% in 2015. Dr. Rousslang said Table 3 showed what happened to the Council's mean economic

assumptions. He said construction was up quite a bit. Dr. Suyderhoud said he did not even use the construction forecast. Dr. Rousslang said they used the Council's mean forecast for him. Dr. Suyderhoud said it was then construction driven. Dr. Rousslang said the forecasts for visitor expenditures were also up substantially.

Dr. Suyderhoud asked how the members felt about the 2015 forecast. He said their current forecast for 2015 is 7.5%, which was their September 5 forecast, and he was going to move that they retain their forecasts for fiscal 2015 and beyond to be the same as the September 5 forecast; 7.4% (2015) 7.7% (2016) 5.7% (2017).

The Chair asked if that was his motion. Dr. Suyderhoud said yes, and moved that the Council keep the same below-the-line growth rate forecasts for FY 2015 through FY 2020. Ms. Maynard asked if they retain the same percentages but not necessarily the same dollars. Dr. Suyderhoud said yes, but they would be applied to a lower base. Ms. Niwao said it was going to be a little lower. She seconded the motion.

The Chair asked for discussion. The Chair said they were going to keep the below-the-line growth rates from fiscal 2015 through 2020 the same as their prior forecast in September. Dr. Suyderhoud said yes, but applied to the lower 2014 base. The Chair asked for any further discussion. There was none.

**Dr. Suyderhoud made a motion to keep the general fund tax revenues (below-the-line) growth rates from the September 5 meeting: 7.4% (2015); 7.7% (2016); 5.7% (2017); 6.1% (2018); 5.5% (2019); and 5.3% (2020), but apply to the lower base in 2014. Ms. Niwao seconded. The Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Yes</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Christopher Grandy</b>	<b>Yes</b>
<b>Elizabeth P. Cambra</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>

**NEXT MEETING:**

The Council's next meeting was tentatively scheduled for Tuesday, March 11, 2014 at 2:00 pm, but the date and time will be confirmed by e-mail. The Council staff will attempt to secure the DLIR Conference Rooms 310/313 for the meeting.

**ADJOURNMENT:**

The meeting was adjourned at 3:52 p.m.