

COUNCIL ON REVENUES

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

Thursday, September 4, 2014
2 p.m.

PRESENT:

Council Members:

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

Staff Members:

Department of Taxation (DOTAX): Donald Rousslang, Hamid Jahanmir, and
J Guitguiten

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

Others:

Randall Nishiyama, Attorney General Office (AG)
Dan Purcell, Member of the Public
Ashley Advincula, Budget and Finance
Sharon Kotaka, Budget and Finance
Marc Takei, House Minority
Susan Hirai, Senate Ways and Means
Calvin Azama, Senate Ways and Means
Roderick Becker, Senate Ways and Means
Puna Na'auao, University of Hawaii
Titin Sakata, Department of Taxation

ABSENT:

Council Member:

Elizabeth P. Cambra

CALL TO ORDER:

Chair Kawafuchi called the meeting to order at 2:05pm. A quorum was present.

COMMUNICATIONS TO THE COUNCIL:

Chair Kawafuchi asked if there were any communications to the Council. Mr. Purcell asked what communications to the Council meant. He said that to him it meant public comment time. Chair Kawafuchi introduced the AG (Attorney General) representative, Mr. Nishiyama to answer Mr. Purcell's question. Mr. Nishiyama said in his opinion, the communication would include public comment. Chair Kawafuchi asked if there were any public comments. Mr. Purcell said

he has comments about the agenda. He said it was not clear what was meant by "review of recent legislation," whether any action would be taken. He said it sounds like an information only item but that there were no sub-items, no listing of legislation and no documents available. He said he asked that any documents on the agenda items be sent to him before the meeting so he could review them and make public comments. He said he was told he received an email saying no documents were available. Chair Kawafuchi asked who sent the email. Mr. Purcell indicated Ms. Guitguiten. Dr. Rousslang added that there were no public documents. Mr. Purcell said that the agenda was vague, that (for example, no one knew if the review of recent legislation would result in any action being taken). He also said the general fund revenue forecast item didn't tell anyone that any action would be taken. He said action was taken at the last meeting on two different forecasts, but those weren't listed on the agenda for the present meeting. Chair Kawafuchi asked what forecasts he was referring to. Mr. Purcell said two meetings ago two different projections were made. Chair Kawafuchi said he was not at that meeting, so he did not know what projections Mr. Purcell was referring to. Dr. Bonham said he thought it was the current year forecast and the long range forecasts. Mr. Purcell said votes were taken on two items. Dr. Bonham agreed. Mr. Purcell said the agenda should include two different action items. He also said the report by the Department of Budget and Finance (B&F) on other revenues should be provided to the public. He said he had asked Deputy Attorney General Randall Nishiyama before the meeting if the agenda was adequate and he said it met the minimum requirements. Mr. Purcell said he respectfully disagreed about the adequacy of the agenda. Chair Kawafuchi asked if there were any other communications to the Council. There were none.

MINUTES OF THE MEETING OF JULY 31, 2014:

Chair Kawafuchi called for a motion to approve the minutes. The votes were unanimous.

It was moved by Ms. Maynard and seconded by Ms. Niwao that the minutes of the July 31st meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

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

REVIEW OF RECENT LEGISLATION:

Dr. Rousslang presented a summary of legislation enacted in 2014 that could materially affect general fund tax revenues. Dr. Suyderhoud asked that the notes that Dr. Rousslang prepared be included in the minutes. Dr. Rousslang provided the following summary of legislation:

Act 44, SLH 2014

The Act conforms Hawaii's estate tax to the Internal Revenue Code and closes a loophole in the tax for decedents dying after December 31, 2013. The revenue gain is indeterminate, but could amount to as much as \$10 million annually, beginning in fiscal year 2015.

Act 81, SLH 2014

The Act reduces allocations of the TAT to the convention center special fund from \$33 million to \$26.5 million annually and allocates \$3 million to the Turtle Bay easement special fund. The annual general fund revenue gain would be \$3.5 million, but the new allocations mandated by the Act are not being made, owing to the "pending status" of the Turtle Bay purchase.

Act 101, SLH 2014

The Act increases the important agricultural land tax credit. The revenue effect is indeterminate, but is not expected to be material.

Act 107, SLH 2014

The Act reestablishes the energy systems development special fund. It also extends the \$1.05 per barrel rate for the environmental response tax, which was set to expire at the end of fiscal year 2015, through fiscal year 2030, as well as the allocations of the tax to the general fund. The annual general fund revenue gain is estimated to be a loss of \$2.6 million for fiscal year 2015 and annual revenue gains of \$15.5 million for fiscal years 2016 through 2030.

Act 163, SLH 2014

The Act increases allocations of the conveyance tax to the rental housing trust fund from 30% to 50% beginning July 1, 2014. The annual general fund revenue loss is estimated to be \$11.5 million per year in fiscal year 2015 and later.

Act 174 SLH 2014

The Act increases allocations of the TAT to the counties from \$93 million to \$103 million for fiscal years 2015 and 2016. The general fund revenue loss is \$10 million in fiscal years 2015 and 2016.

Act 200, SLH 2014

The Act creates a capital infrastructure tax credit for investors in qualified infrastructure for tenants displaced by the Kapalama container terminal project. The general fund revenue cost is indeterminate, but is not expected to be material.

Dr. Suyderhoud made a motion to have the above summary presented by Dr. Rousslang be attached to the meeting minutes. Ms. Maynard seconded. The vote was unanimous.

It was moved by Dr. Suyderhoud and seconded by Ms. Maynard that the above 'summary of legislation that could affect the general fund tax revenues' be included in the meeting minutes. The Chair called for the vote, and the motion passed with the following votes:

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

GENERAL FUND REVENUE FORECAST:

Next, the Council discussed the general fund revenue forecast. Chair Kawafuchi said the discussion would start with the forecast for the current year. Dr. Bonham said the members could discuss the first year and then discuss the out years and have one vote. Dr. Rousslang said that each member had their own individual forecast and clarified that if a member does not provide a forecast for a meeting, the Tax Department uses the old forecast unless the member says the forecast is no longer valid. Dr. Bonham asked how many forecasts were submitted. Dr. Rousslang said three members did not submit a new forecast. Chair Kawafuchi said the last data for fiscal 2014 showed negative growth and asked if the dollar forecasts for subsequent years were kept unchanged. Dr. Rousslang said yes. Dr. Grandy asked if it was the appropriate time to talk about that process. He said it seemed logical to adopt the Council's forecast in percentage terms and adjust the dollar amounts, because in fact the Council's practice is to forecast the growth rates not to forecast the dollar amounts. He said that in the past Budget and Finance has come back to the Council and asked for an adjustment. He asked if the Council could adopt a policy that kept the growth rate forecasts and adjusted the dollar figures. Dr. Suyderhoud said that he thought the Council voted on growth rates and that was the only official forecast made. He said the tax department takes the growth rates and creates the dollar amounts based on those growth rates.

Dr. Bonham agreed and that the problem was that the topic comes up when the Council is meeting to forecast total personal income and not general fund revenues. He said in a prior meeting the members opted to wait until they were doing a general fund forecast to address the question. Dr. Grandy suggested that the Council adopt a policy that when the actual figure for the general fund revenues for the fiscal year becomes available, that the Department of Taxation takes the growth rates and adjusts the dollar forecasts for the ensuing years. Dr. Bonham asked how the new forecast would be conveyed. Dr. Suyderhoud asked what would be included in the letter to the Governor. Dr. Rousslang said that B&F might be constrained by the Council's official forecast and that in the past the tax department had asked the Council at the May meeting if the Council wanted to use the growth rate or the dollar level when the final figures for the fiscal year came in. He said when the question was asked the members usually opted to use the growth rate and suggested that the Council may want to have the question asked at each May meeting. He pointed out that depending on why the forecast was off, it might or might not be appropriate to use the growth rate instead of the level forecasts for the future years. Dr. Bonham pointed out that then the decision would be made without knowledge of what moved the level.

For example, suppose there's an outstanding tax bill and that provides a large lump sum at the end of the fiscal year. Would the members want to apply the growth rate forecast to that? Dr. Grandy agreed, but noted that they were giving guidance on how the departments (taxation or budget and finance) should adjust once the actual figure for June comes in and that the members would be meeting in September. Dr. Bonham asked if revisiting the May forecast could be put on the agenda for the meeting to forecast total personal income. Dr. Rousslang pointed out that it was on the agenda for the current meeting. Dr. Bonham said when the members debated the question they refused to revisit the forecast, because it was not a general fund meeting. Dr. Suyderhoud said the question was whether to rebase.

Mr. Purcell asked if the meeting was in fact a revenue forecasting meeting. Dr. Suyderhoud and Chair Kawafuchi said no, it was a meeting to forecast total personal income. Chair Kawafuchi asked Deputy Attorney General Nishiyama if there was any problem with rebasing the general fund forecast at a meeting to forecast total personal income. Mr. Nishiyama said he thought it would be allowable. Dr. Suyderhoud asked if the question could be added to a future agenda. Chair Kawafuchi said okay and called for discussion on the general fund forecast. He said growth for fiscal year 2014 was negative 1.8% but the first monthly revenue was positive. Chair Kawafuchi asked what was the growth rate for July. Dr. Suyderhoud said it was 20%. Chair Kawafuchi asked Dr. Rousslang if he had any insight as to why it was 20%, after negative 1.8% for the prior year and asked for copies of the preliminary report for July. Dr. Rousslang pointed out that the GET (general excise tax) collections in July of last year were very low (\$216 million), but that this year they were very high (\$261 million). That accounted for the bulk of the difference in the general fund from July of last year to July of this year. He pointed out that part of that increase in GET was due to the county surcharge which was higher than it should have been in the first month of the last fiscal year. Dr. Suyderhoud said it was because they took money out of the GET (and hence the general fund), and put it in to the county surcharge fund. Ms. Niwao pointed out that this was caused by a delay in paying the city and county in the last months of fiscal year 2012. Dr. Suyderhoud said this made the base in July of 2013 lower. Ms. Niwao agreed and said that was partly why there was an increase now. Dr. Rousslang said he thought part of the increase was "monthly noise." He said that in the last 10 years the standard deviation for July GET collections was \$40 million. Dr. Suyderhoud said there was also strength in both the important tax bases (TAT, income and the excise taxes). Chair Kawafuchi pointed out that estimated tax payments were down about \$5 million but that withholding was up about \$9 million. Dr. Rousslang pointed out that the income tax base was very small, so for example \$10 million would have a very big effect on the percentages. Dr. Suyderhoud said that nevertheless it was a surprisingly strong month. Ms. Maynard pointed out that the standard deviation for July GET collections was high. Dr. Rousslang said the cumulative total as of the end of August for Oahu for several taxes that make up about 90% of the general fund was up by only about 4%. Ms. Maynard asked if that was cumulative for July and August. Dr. Bonham said that was a little more plausible. Ms. Maynard agreed. Dr. Rousslang also said that for July for Oahu, those same taxes were up 17%, whereas they were up by 16% for the State as a whole. Chair Kawafuchi asked for the month-over-month comparison for June and asked whether some of June could have gotten pushed into July. Dr. Rousslang said maybe some of August got pulled into July. Chair Kawafuchi said he didn't know how that would happen, it was easier to see slower processing can affect collections. Ms. Niwao said there was concerted effort made in the past year to deposit the check as soon as it was received, but that in the past few months the time it takes for the tax department to cash a check was a little longer than normal. Chair

Kawafuchi asked if it was two weeks vs. four weeks? Ms. Niwao said it was at least two weeks. Dr. Bonham added a caveat to the numbers that Dr. Rousslang presented for Oahu, pointing out that Oahu was not where the growth is right now. He said that July visitors were down almost 1% on Oahu and June visitors on Oahu were down 1.6% whereas on the neighbor islands the July numbers were up 3.6%. Chair Kawafuchi asked what percentage the neighbor islands made up of the State. Dr. Bonham said almost 40%.

Dr. Bonham said he did some long-term calculations on the performance of tourism and the construction industry, the loss in federal government spending particularly and was not surprised that fiscal year 2014 had weak excise tax collections. He said he did not see the same weakness going forward. He said tourism would have limited growth and he continued to argue that construction is a growth sector (the recent data being influenced by the demise of the Photovoltaic bubble). He said the permit numbers were still growing. Dr. Suyderhoud said they've picked up quite a bit on the Big Island and Kauai. Chair Kawafuchi asked if tourism for June and July was flat on a State-wide basis. Dr. Bonham said yes. Chair Kawafuchi asked if it was the visitor count, visitor spending or both? Dr. Grandy said both. Dr. Bonham said the visitor count was up over 2% in both those months, year-over-year. Dr. Grandy said cumulatively, if you take like a 12-month moving average, we're still at around zero growth rates in both expenditures and arrivals. He said that cumulative growth in construction was still negative. Ms. Niwao said construction might take a little longer than projected. She said it will take a while to get the sewer and infrastructure set up for the rail construction sites so we would not see related growth from construction for a number of years. Dr. Suyderhoud said Kaka'ako construction was robust and Dr. Bonham pointed out that the rail was construction. Ms. Niwao said yes, but that very few jobs are being created. Dr. Bonham said the latest count was 1,300, or something like that. He said a 12-month moving average of private permits is up by 5.7% in June. Dr. Grandy pointed out that the figures for April and May were down 7% and almost 9% according to the contracting tax base. He also said that the cumulative is down 4.6%. So tourism is basically flat and construction is negative, but real personal income seems to be growing at about 1.8%, so, general fund tax revenue might grow by something like 1.8% for the coming year. Chair Kawafuchi asked what was the inflation factor? Dr. Bonham said about 1.1% year-over-year and 1.8% for the first half of the year. Dr. Suyderhoud said that implies nominal growth of 3.5% or so.

Chair Kawafuchi asked about the potential impact of more macro-events, such as the tapering of federal stimulus and political events? Ms Niwao said such uncertainties should be factored into the ultimate revenue forecast. Dr. Grandy and Dr. Suyderhoud pointed out that the problem was to incorporate such things into a specific forecast. Chair Kawafuchi pointed out that revenue growth was about 15% two years ago, 10% 3 years ago; and now negative 1.8%. He was surprised to see the decline while the economy was doing well. Dr. Suyderhoud agreed. Dr. Bonham said it is very unusual to have negative growth for the general fund when there is positive job growth and income growth. Ms. Niwao said she thought people were still feeling the effects of the downturn of 2009. Dr. Grandy pointed out that there was substantial growth in visitor arrivals and visitor expenditures after 2009. Dr. Bonham pointed out that there was a big increase in lift, cheap airfares, and low hotel room rates. He pointed out that since then room rates have risen sharply.

Chair Kawafuchi asked if there was any public comment. Mr. Purcell said he thought the discussion process could be improved, for example by projecting something on to a screen and accounting for some of the comments on one column, with a range of probability of the outcomes. He said the discussion of the items could be more formal.

Chair Kawafuchi asked if there was further discussion about the economy. Dr. Bonham asked if Dr. Grandy had suggested a growth forecast of 1.8% for the next fiscal year. Dr. Suyderhoud suggested looking at the models for a benchmark. He said his results were 5.4% growth for fiscal 2015 and 7.2 for fiscal 2016. Dr. Bonham noted that the Council average (from Model 1) was 5.2%. Ms. Niwao opined that 5.2% for fiscal year 2015 growth was too high after negative 1.8% for fiscal year 2014. Dr. Bonham pointed out that in 1999, the annual growth rate was minus 1.7% and in 2000 it was 7.9%. He said such results were not uncommon because a negative year generally was caused by recession and recovery often generated strong tax revenue growth. Although this time the negative growth was not caused by recession. Dr. Rousslang pointed out that it could have come from the below-the-line adjustments. Chair Kawafuchi mentioned the allocations to the Hurricane Fund and the spike in County surcharge collections. Dr. Rousslang said the adjustment was about 3%.

Dr. Grandy said he thought 5.2% growth was too high. He said 2% growth looked more reasonable. Dr. Bonham said that would be consistent with roughly zero growth in the real economy. Dr. Suyderhoud said he thought there was strength in the economy, and that more strength would come from construction and that the visitor sector would come back, so growth would be higher than 2%. He said he preferred the estimate from the model. Ms. Niwao said the model did not account for the federal cutbacks and was concerned about the State's debt, including the unfunded liabilities, which meant that the economy would have to grow or taxes be increased. Dr. Suyderhoud agreed that unfunded liabilities and the State and federal debt levels were a problem, but he did not think they would affect the revenue forecast for the next two years.

Ms. Maynard asked how the strengthening dollar would affect the economy. Dr. Bonham noted that the outlook for tourism from Japan was "pretty dismal" and that it might hurt tourism from other places where we have recently seen strong growth, such as Australia and Korea. Ms. Maynard said she was concerned that the Council's recent growth forecasts seem to be consistently too high. She said she understood Dr. Bonham's point that it was rare to two down years in a row, but that she was more inclined to forecast growth of about 3% rather than a 5%.

Dr. Bonham asked Dr. Grandy what he thought real income growth would be for Hawaii in 2014 and fiscal year 2015. Dr. Grandy said his forecast is for 1.5% real income growth by the end of fiscal year 2015. He said recent trends in the visitor and construction sectors are why his growth rate is low, although he said he expected both sectors to recover later. His nominal revenue growth forecast was 3% for 2015, rising to 5% by 2021. Dr. Bonham noted that the growth of real income averaged about 1.9% from 1980 to 2013 and that growth in nominal tax revenues averaged 5.5% over the same period. Dr. Bonham said he was comfortable forecasting revenue growth of 5%. Ms. Niwao said she preferred a forecast of 3% growth. She said she was concerned about possible negative external events impacting Hawaii's revenue growth rate, such as the Ukraine-Russia conflict, ISIS terrorism, Ebola, and possible recessions in other countries, and that such possibilities should be incorporated in the forecast, though she recognized that

computing the probabilities of events occurring and incorporating them into a mathematical expectation would be hard to quantify. Mr. Jahanmir opined that the effects of such events should be incorporated into the member's forecasts for economic variables.

Chair Kawafuchi asked if there was public comment. Mr. Purcell said the Council could incorporate such things in notes to accompany their forecast. He began discussing the board of trustee meeting for the State's retirement system, where some consultants wanted to incorporate more pessimistic assumptions about returns on the portfolio. Dr. Grandy said he thought the agenda item for public comment was closed and that he didn't think it was appropriate to have an open dialog from the public unless the members asked a specific question of someone. Mr. Nishiyama said it was the Chair's decision. Chair Kawafuchi agreed with Dr. Grandy that public comment should be taken at the beginning and at the end, unless one of the members wanted to invite public comment. Mr. Purcell said that since he was not given any material for the meeting, he was unclear on what was being discussed and that if the discussion were better structured, he could provide comments at the appropriate time.

Chair Kawafuchi asked for further discussion on the revenue forecast. Dr. Suyderhoud said he thought last year was unusual in light of the underlying economy and that the economy would be as good for the coming year as it was last year. Therefore, he expected a rebound in tax collections. Ms. Maynard noted that inflation in Hawaii for the first 6 months of the year was only 1.1%, so adding 1.9% real growth gave 3% nominal growth. Dr. Bonham noted that 1.1% was lower than his inflation forecast for the fiscal year. Chair Kawafuchi asked about the status of the case in litigation involving on-line travel companies. Ms. Sakata said the funds were still in the litigated claims fund. Chair Kawafuchi said there might be a settlement in the case. The members discussed this possibility briefly.

Dr. Suyderhoud said he would accept a growth forecast of 3%, even though he thought it was conservative. Dr. Grandy asked if Dr. Suyderhoud wanted to consider a motion. Chair Kawafuchi said his own forecast was 3% to 3.5%. Dr. Grandy said his forecast was for revenue growth of 3.4% for fiscal years 2015, rising to 4.8% in fiscal years 2016 through 2019, 4.7% for fiscal year 2020 and 5.1% for fiscal year 2021. Dr. Bonham noted that revenue growth last year would have been positive but for the below-the-line adjustments for changes in tax legislation. Dr. Grandy opined that the underlying economy was the main driver of changes in tax revenues. Dr. Bonham noted that the change in the underlying economy last fiscal year was consistent with a weakening of revenue growth, but probably not with negative revenue growth, because that doesn't happen when the economy is not in recession. He suggested revenue growth might be 4.5% for fiscal year 2015, but proposed a forecast of 4%. Dr. Suyderhoud seconded the motion. Chair Kawafuchi called for a vote. Only Dr. Suyderhoud and Dr. Bonham voted yes. Ms. Niwao moved to set the general fund growth rate at 3.5% for fiscal year 2015. Ms. Maynard seconded the motion. The vote was unanimous.

Ms. Niwao made a motion that the general fund tax revenues growth rate be at 3.5% for FY 2015 (below-the-line). Ms. Maynard seconded. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes

Jack P. Suyderhoud	Yes
Carl S. Bonham	Yes
Christopher Grandy	Yes
Elizabeth P. Cambra	Absent
Kristi L. Maynard	Yes

Dr. Bonham suggested the members consider Dr. Grandy's forecasts for fiscal years 2016 through 2021. The members briefly discussed forecasting a recession in fiscal year 2019 or 2020. Dr. Bonham, Dr. Grandy and Dr. Suyderhoud noted that the long-term trend averages accounted for recessions, which was about 5.5% revenue growth. Dr. Suyderhoud moved to forecast growth of 5.5% for the remaining years in the budget. Dr. Bonham seconded the motion. The members discussed the forecast in the motion compared with some results from the model. Chair Kawafuchi called for a vote on the motion. The vote was unanimous to approve.

Dr. Suyderhoud made a motion that the general fund revenue forecast for the remaining fiscal years be: 5.50% (2016); 5.50% (2017); 5.50% (2018); 5.50% (2019); 5.50% (2020); 5.50% (2021) below-the-line. Dr. Bonham seconded. The Chair called for the vote, and the motion passed with the following votes:

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

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 May 2014 Report

Mr. Chun informed the Council of an error that was discovered in the last report that B&F provided at the May meeting. During the preparation of the May report, an incorrect page was inadvertently included in the report. The error was in the consolidated table (Table 1) and was in fiscal year 2020. In this report includes a copy of the original document and a corrected document.

Mr. Chun also provided the Council with the report of revised projections of general fund non-tax revenues and non-general fund tax and non-tax revenues since the May 2014 meeting. He said, although our report includes a brief summary of significant changes there are several significant changes that I want to highlight:

General Fund Non-Tax Revenues

Non-Revenue Receipts - increases for FY 14 reflect higher than estimated transfers from non-general funds for the reimbursement of pension accumulation payments and social security payments (approximately \$19 million and \$10 million respectfully). FYs 15-21 reflect increases in the estimates for those transfers based on actual collection and non-general fund salary data.

Special Tax Revenues

Conveyance Tax - increase in FY 14 reflects actual revenues and revised FYs 15-21 estimates are based on the actual FY 14 revenues. These revenues are deposited to Department of Business, Economic Development and Tourism's Rental Housing Trust Fund and Department of Land and Natural Resources' Natural Area Reserve Fund.

Other than Special Fund Non-Tax Revenues

Use of Money and Property - the net increases in FYs 15-21 reflect projections of the additional interest earned on investments held outside the State's investment pool managed by the Employer-Union Health Benefits Trust Fund (EUTF) in accordance with Act 268, SLH 2013, which requires prefunding contributions of the State's and counties' unfunded liabilities for retiree health benefits.

Non-Revenue Receipts - the net increases in FYs 14-21 reflect projections of the additional contributions necessary to implement Act 268, SLH 2013, which requires prefunding contributions of the State's and counties' unfunded liabilities for retiree health benefits, increases in the health benefits premium rates for active employees covered by the EUTF.

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

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

The Council voted to accept the May 2014 B&F report (Table 1) as amended. The Chair called for the vote, and the motion passed unanimously with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Jack P. Suyderhoud	Yes
Carl S. Bonham	Yes
Christopher Grandy	Yes
Elizabeth P. Cambra	Absent

Kristi L. Maynard Yes

Dr. Bonham asked if there was something that had been postponed to the end of the meeting. Dr. Grandy said it was the question of whether growth rates or levels of the tax revenues were to be used as the official Council forecast for other years in the budget period when the level forecast for the most current year was found to be inaccurate. Dr. Suyderhoud asked Dr. Grandy if he could prepare language for a proposal and bring it to the next meeting. Dr. Grandy asked if it could be put on the agenda for a Total Personal Income meeting. Dr. Suyderhoud suggested including the item as a communication to the Council. Dr. Grandy agreed to prepare the requested language. Dr. Rousslang asked if the communication should be listed on the agenda. Drs. Bonham and Grandy said yes. Chair Kawafuchi suggested including the item in the title of the agenda as well.

NEXT MEETING:

The Council tentatively agreed to meet on Monday, November 3, 2014 at 10am; however, the date and time will be confirmed by e-mail. The Council staff will attempt to secure the DLIR Conference Rooms 310-313.

The Chair adjourned the meeting.

ADJOURNMENT:

The meeting adjourned at 4:00 p.m.