

COUNCIL ON REVENUES

Total Personal Income Meeting Minutes Thursday, October 29, 2020

Virtual Meeting
Meeting was held virtually and video [recorded](#).

Thursday, October 29, 2020
3:00 p.m.

PRESENT:

Council Members:

Kurt Kawafuchi, (Chair), Marilyn Niwao (Vice-Chair), Carl Bonham,
Jack Suyderhoud, Jessica Gluck, Kristi Maynard and Scott Hayashi

Staff Members:

Department of Taxation: Seth Colby and Baybars Karacaovali

CALL TO ORDER:

The Chair called the meeting to order at 3:00 p.m. A quorum was present.

COMMUNICATIONS TO THE COUNCIL AND PUBLIC COMMENT:

Chair Kawafuchi asked if there was any communication to the Council on Revenues (the Council). There was none.

APPROVED MINUTES OF THE MEETING OF SEPTEMBER 9, 2020:

Chair Kawafuchi called for a motion to approve the minutes. Ms. Maynard moved to approve the minutes. Ms. Niwao seconded.

It was moved by Ms. Maynard and seconded by Ms. Niwao that the minutes as amended of the September 9th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Jack P. Suyderhoud	Yes
Jessica E. Gluck	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes

DISCUSSION OF THE VOTE FOR TOTAL PERSONAL INCOME FORECAST FOR CY 2020:

Ms. Maynard was surprised by the TPI numbers. The numbers were higher than expected due to effects of the Federal Stimulus.

Dr. Bonham said that a source of error for the UHERO CY 2020 TPI forecast was due to the U.S. BEA categorizing virtually all of the CARES Act money as income transfers, including funds from the PPP (Paycheck Protection Plan). Since some portion of the PPP money will have to be repaid, some of the CY 2020 transfer payments numbers will likely be revised downwards.

Mr. Kawafuchi asked about the amount money that was paid out from the unemployment insurance. Dr. Bonham said the amount of money is uncertain since there were high levels of fraudulent claims.

Dr. Bonham said that TPI for CY 2020 will be high, but CY 2021 is likely to be negative. There are likely to be additional stimulus next year regardless on who wins the election. UHERO's GDP forecast is -9.0% for CY 2020 and + 4.5% for CY 2021. The GDP bounce back is about getting back to work and having tourism return.

Ms. Niwao asked about the impact of deferred rent payments. Dr. Bonham said that we are already seeing the fall in this income segment in the data.

Ms. Niwao said the biggest risk is coming from the surge in COVID-19 infection rates on the mainland. This will impact tourism.

Ms. Maynard said that tourist arrivals since the October 15th opening were lower than expected. Dr. Bonham said that the number of arrivals was higher than the assumptions that they included in their model.

Dr. Bonham moved for a forecast of 5.0% for CY 2020 and -3.0% for CY 2021.

Ms. Niwao requested they vote on the two years separately.

Dr. Suyderhoud said that the CY 2020 forecast implies 9.0% growth for the first half of the year and 0.0% growth for the second half of the year.

Ms. Niwao asked if TPI includes capital gains income. Ms. Maynard said that realized capital gains are not included in the definition of TPI.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the Total Personal Income forecast be 5.0% for CY 2020. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Jack P. Suyderhoud	Yes
Jessica E. Gluck	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes

DISCUSSION OF THE VOTE FOR TOTAL PERSONAL INCOME FORECAST FOR CY 2021:

Ms. Niwao expected the TPI to be lower because the level of Federal Stimulus will be lower in CY 2021 than in CY 2020.

Dr. Bonham said he believes that stimulus is likely in 2021.

Ms. Maynard said that the stimulus spending may occur in 2021, but it will be lower than in 2020.

Dr. Bonham said that UHERO's forecast for tourism has not changed. The assumption is that the largest increase in tourism arrivals will occur in the second half of 2021. For CY 2021, UHERO assumes tourism arrivals will be 40% of CY 2020. He also assumed that transfer payments would be up 70% for CY 2021 and down 40% in CY 2022, but CY 2022 transfer payments will still be higher than in 2020.

Ms. Niwao says that -3.0% is not bad enough. She would be more comfortable with -4.0%.

It was moved by Ms. Niwao and Dr. Suyderhoud seconded Total Personal Income forecast of -4.0% for CY 2021. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Jack P. Suyderhoud	Yes
Jessica E. Gluck	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Thursday, January 7, 2021 at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 4:10 p.m.