

COUNCIL ON REVENUES

General Fund Meeting Minutes **Monday, March 8, 2021**

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

Monday, March 8, 2021
2:00 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: Director Isaac Choy, Seth Colby, Yvonne Chow,
Baybars Karacaovali, Dongliang Wu, Shi Fu, and Roderick Tuliao

CALL TO ORDER:

The Chair called the meeting to order at 2:07 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). Communication to the Council on Revenues was submitted by Vice-Chair Niwao regarding 1. Oahu Covid Tiers 2. Selected Concerns Regarding GF Revenues in the future and 3. Hawaii Visitors and Convention Bureau Marketing Insight Report March 2017.

APPROVED MINUTES OF THE MEETING OF JANUARY 7, 2021:

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

It was moved by Ms. Maynard and seconded by Dr. Suyderhoud that the minutes of the January 7th 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

COUNCIL ON REVENUES DOTAX PRESENTATION BY DR. SETH COLBY:

Dr. Colby presented the on the current status of revenue collections [PRESENTATION AVAILABLE ON COR WEBSITE].

DISCUSSION AND VOTE ON THE GENERAL FUND REVENUE FORECAST FOR FY 2021:

Dr. Bonham started off speaking about the characteristic of forecasting and the reasoning of how economists and professional forecasters perform and how research has found that they tend to underforecast when the economy is turning up and overforecast when the economy is turning down.

Dr. Bonham noted that two major components within their model contributes to the Council's forecast, which are Visitor Forecast and Total Personal Income. Dr. Bonham suggested that the visitor forecast for the upcoming fiscal year is too low at a 99% growth rate. He thinks it should be closer to a 200% growth rate for FY2022. Also, he pointed out that for FY2021 the Council's forecast of -1.3% total personal income is highly unlikely. He referenced UHERO's forecast of 2.0% growth in FY2021. Also noting that with the arrival of the federal stimulus money the total personal income will almost certainly be positive.

Dr. Snyderhoud shared his thoughts on inflation, and that he increased his inflation numbers by 0.5% for his forecast. Stating that inflation at the present is still relatively low, however there are signs of inflation in the commodity space and some rates are starting to rise, but no one is thinking of hyperinflation at this time.

Ms. Niwao expressed her concerns with regards to the pandemic and the effect it has had on restaurants, retail stores and even some of her clients. She stated that the State is dependent upon tourism and that lots of businesses have either had to shut down or investors have lost so much money on their rentals that they will be forced to sell as they may not be able to pay their mortgages. She also added that there has been a lot of deferral in collecting from people who haven't been able to pay their bills, lots of receivables, and sometime in the future those receivables will be requested by the creditors.

Mr. Hayashi acknowledged that Ms. Niwao made good points and raised a question with regards to additional fiscal stimulus that would be coming in for this fiscal year and went on to ask whether or not it is appropriate for the Council to consider that funding at this time, while noting typically in the past the Council does not factor in pending legislation.

Ms. Maynard shared her thoughts about the additional money that is being distributed which makes for some unusual numbers. She noticed that personal income and savings are both up and contended that the Council should consider the anticipated funding.

Dr. Suyderhoud shared his estimate of -2.6% growth rate for all revenues to the entire FY 2021.

Ms. Gluck commented that her numbers on her model at -3.0% was close to Dr. Suyderhoud for FY2021 due to the low base.

Dr. Bonham stated that the average of the input model gives the Council -2.0% which he believes is still lower than what the forecast should be but also thinks it is reasonable and close.

Mr. Hayashi brought up a question regarding visitor count, and the impact that the CDC guidance will have on people wanting to travel.

Dr. Bonham replied that the visitor data shows that there is a bunch of pent up demand for travel. Also, stating that the Biden administration will have made the vaccines available for everyone in the country by end of May which he thinks will completely change the public's willingness to travel.

Mr. Kawafuchi stated that the forecast for FY 2021 is assuming the Federal Stimulus bill passes.

Ms. Niwao contended that -2.5% is too low and will not be in favor of the forecast for FY 2021.

It was moved by Dr. Suyderhoud and seconded by Dr. Bonham that the General Fund Revenue forecast be -2.5% for FY 2021. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	No
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 GENERAL FUND REVENUE FORECAST FOR FY 2022-2027:

Dr. Suyderhoud suggested doing the forecast in two discussions. First, for FY 2022 and the second for the remaining out years of FY 2023 – FY 2027.

Ms. Maynard stated that the Council needed to keep in mind the year over year comparison of income tax to income tax periods and that there will not be two income tax periods for the FY 2022.

Ms. Niwao spoke on her concerns about the future of tourism. She provided written communication to the COR questioning the State's current tier plan and recovery framework for Oahu, and stated that she doesn't see how the State can get to the full economic recovery with such regulatory limitations. In addition, the tier program (Tier 4) appears to have regulatory limitations in place even if the COVID infection rates were zero or herd immunity was reached.

Dr. Bonham suggested 4.0% for the FY 2022 – FY 2024 and 3.5% for FY 2025 – FY 2027.

Ms. Gluck responded that 4.0% for FY 2022 is reasonable and achievable based off of her model taking into account only one income tax payment within the year which is coming off a low base.

Mr. Hayashi agrees that 4.0% for FY 2022 – FY 2024 and 3.5% for FY 2025 – FY 2027 is reasonable and achievable.

Ms. Niwao also agrees but wants the Council to note that the forecast is assuming there will be no shut down and travel restrictions.

Mr. Kawafuchi confirmed that the Council's forecast for FY 2022- FY 2027 is assuming the trend of opening up will continue.

It was moved by Dr. Bonham and Ms. Maynard seconded General Fund Revenue forecast of 4.0% for FY 2022 - FY 2024 and 3.5% for FY 2025 – FY 2027. 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

**REPORT BY THE DEPARTMENT OF BUDGET & FINANCE ON OTHER REVENUES
BY MR. DONOVAN CHUN:**

Mr. Donovan Chun provided a report of revised projections for General Fund non-tax revenues, non-General Fund tax, and non-tax revenues since the January 7th, 2021 meeting. He provided a written report summary of significant changes due to C.A.R.E.S. Act money.

It was moved by Dr. Suyderhoud and Mr. Hayashi seconded to adopt Budget & Finance Report. The Chair called for the vote, and the motion passed with the following votes:

Minutes of the Council on Revenues Meeting

Monday, March 8, 2021

Page 5

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 Tuesday, May 25, 2021 at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 4:18 p.m.