

DRAFT

COUNCIL ON REVENUES

General Fund Meeting Minutes
Tuesday, May 25, 2021

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

Tuesday, May 25, 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: Seth Colby, Yvonne Chow, Baybars Karacaovali,
Dongliang Wu, and Roderick Tuliao

CALL TO ORDER:

The Chair called the meeting to order at 2:01 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 were no communications to the Council and no public comment.

APPROVED MINUTES OF THE MEETING OF MARCH 8, 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 March 8th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	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 on the current status of General Fund revenue collections.
[PRESENTATION AVAILABLE ON COR WEBSITE].

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

Dr. Bonham in the interest of discussion for General Fund Revenue Forecast for FY2021 started off with making a motion to adopt 5.0% for FY2021.

Dr. Suyderhoud stated that it would seem likely that the forecast would be low. Dr. Bonham agreed by stating that June collections for GET and TAT will be May activity. June could still match collections of June 2019.

Ms. Maynard pointed out that the Council should take into consideration the surge in resident spending. Ms. Maynard stated that spending will begin to slow down because of most residents having received their stimulus.

Dr. Bonham responded by commenting on the overall economic growth and pent up demand and growing wealth for the top 25% of income distribution along with a strong recovery in the tourism sector.

Dr. Suyderhoud and Ms. Maynard both agree that 5.0% for FY2021 would be safe.

Mr. Kawafuchi also agrees that being already 10 months into FY2021 and given such a low base and other factors within the base year 5.0% seems very realistic and maybe even a little conservative.

Ms. Niwao also added she is comfortable with the 5.0% for FY2021, but she believes that there is still great uncertainty regarding tourism demand in May and through the rest of the summer.

Ms. Gluck stated that she seconded the 5.0% for FY2021 as it was a reasonable number.

Mr. Hayashi agrees 5.0% for FY2021 is conservative and easily a defensible number.

It was moved by Dr. Bonham and seconded by Ms. Gluck that the General Fund Revenue growth rate forecast be 5.0% for FY 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

DISCUSSION OF THE VOTE FOR GENERAL FUND REVENUE FORECAST FOR FY 2022:

Mr. Kawafuchi started the discussion for FY2022 by stating that the Council has increased its general fund growth rate forecast quite a bit for the current fiscal year in addition to having the lockdowns in the prior base year.

Ms. Niwao shared her concerns for FY2022 by pointing out that Japan a major international customer had a delayed rollout of vaccinations and COVID-19 virus surges has resulted in additional travel restrictions to/from Japan. This affects tourism on Oahu.

She also stated that Hawaii has benefited from an estimated \$20 billion from federal transfer funds from the Families First Coronavirus Response Act, CARES Act, PPP and Health Care Enhancement Act, the December 2020 Consolidated Appropriations Act, and the American Rescue Plan Act. Ms. Niwao stated that the bulk of the Federal funds should be received by FY 2021 and is concerned about what will happen once there is no more funding and deferred and past due bills will be due. Since the mainland U.S. appears to be recovering from the economic downturn she does not anticipate that there will be as much Federal stimulus money given out as in the past.

Dr. Bonham agreed with Ms. Niwao and wanted to clarify that although a large fraction of the federal money was given in FY2021, the ARPA funds will not all be spent in FY2021 and may be spread out till FY2025. Dr. Bonham then addressed the economic recovery and if it will gain enough steam to prevent a slow down when the federal support ends.

Dr. Snyderhoud shared his opinion with regards to visitor arrivals and the speed of the recovery. He noted one factor that has made him a little more pessimistic to the recovery of tourism which was how the community's outlook is towards tourism.

Ms. Gluck stated that the models show as being high and pointed out the reason being is due to the double tax payment which was received in FY2021.

Ms. Maynard agreed that the adjustment of the double tax payment made for FY2021 needs to be made for FY2022.

Dr. Bonham to help move the discussion forward provided the Council with a baseline forecast of 4.8% of and high scenario forecast 7.0% for FY2022 noting strong growth in U.S. economy, tourism, and growth in contracting

Mr. Hayashi asked about the construction forecast and if the limitation on materials was factored into the forecast.

Dr. Bonham has spoken to some contractors and developers though not all. He does not think there will be a disruption on construction with regards to limitation on materials.

Mr. Hayashi pointed out that due to legislative change that all TAT goes to General Fund which would cause the General Fund to grow faster.

Dr. Snyerhoud suggested a forecast of 4.0%.

Ms. Maynard and Ms. Niwao expressed their concern of 4.0% being too high, stating that the starting base for FY 2021 was too high.

It was moved by Dr. Snyerhoud and seconded by Dr. Bonham that the General Fund Revenue forecast be 3.0% for FY 2022. 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 AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEARS 2023-2027:

Dr. Bonham moved to adopt 4.0% for the remainder of the forecast horizon based on the rationale that higher inflation will give higher tax revenue for the foreseeable future.

Ms. Niwao agrees that there will be inflation with the out years.

Ms. Maynard also agrees with inflation and the forecast.

It was moved by Dr. Bonham and seconded by Dr. Suverhoud that the General Fund Revenue forecast be 4.0% for FY 2023 - 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 General Fund non-tax revenues non General Fund tax and non-tax revenues since the March 8th meeting. He provided a written report summary of significant changes due to under the American Rescue Plan Act.

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

Kurt Kawafuchi	Yes
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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 Monday, August 2, 2021 at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 4:00 p.m.