

DRAFT

COUNCIL ON REVENUES

General Fund Meeting Minutes
Tuesday, September 7, 2021

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

Tuesday, September 7, 2021
2:00 p.m.

PRESENT:

Council Members:

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

Staff Members:

Department of Taxation: Director Isaac Choy, Seth Colby, Yvonne Chow,
Dongliang Wu, and Roderick Tuliao
Department of Budget and Finance (B&F): Donovan Chun

CALL TO ORDER:

The Chair called the meeting to order at 2:00 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 were no communications to the Council and no public comment.

APPROVED MINUTES OF THE MEETING OF AUGUST 2, 2021:

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

It was moved by Ms. Maynard and seconded by Vice-Chair Niwao that the minutes of the August 2nd 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

Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

**PRESENTATION BY DR. SETH COLBY, TAX RESEARCH & PLANNING OFFICER
ON REVIEW OF RECENT LEGISLATION:**

Dr. Colby shared two measures that were passed by the 2021 Legislature affecting revenues that were enacted into law.

1. Act 226, SLH 2021 extended the sunset clause of the Low-Income Housing Tax Credit (LIHTC) and amended technical wording.
2. Act 1, 1st SSLH 2021, relating to Transient Accommodations Tax (TAT), suspends the revenue transfers from TAT collections to select special funds.

Dr. Colby presented data from the Preliminary Comparative Statement of State General Fund Tax Revenues for the month of August that showed General Fund collections was up 7.3% year to date.

Dr. Colby presented data of GET and TAT Outperforming 2019 collections in year over year.

[PRESENTATION AVAILABLE ON COR WEBSITE]

**DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST
FOR FISCAL YEAR 2022:**

Dr. Bonham lead the discussion for the General Fund Forecast of FY2022.

Dr. Bonham said that the mean forecast for visitor arrivals seemed low given the strength of recovery for tourism through August.

Dr. Bonham added that although booking has dropped for September and October due to the rise in COVID cases, he thinks travel will pick back up in November or December resulting in a higher visitor arrival count than the 6.4 million that is the mean COR forecast.

Dr. Suyderhoud asked Dr. Bonham what his anticipated number for visitor arrivals would be as a whole for FY2022 since Dr. Bonham felt that the 6.4 million was low.

Dr. Bonham said 8.3 million which is a 150% growth rate for visitor arrivals and 145% growth rate for visitor spending.

Ms. Niwao expressed her concerns with the Delta variant and the negative effects it would cause businesses. She wanted the Council to take certain variables associated with the pandemic into consideration when projecting the future.

Dr. Bonham agreed that Ms. Niwao's concerns regarding the variant are valid. However, he said that case counts tend to go in waves and the rise in cases related to the Delta variant will likely begin to slow and visitor rates will continue to grow.

Dr. Suyderhoud asked Dr. Colby for insight with the numbers due to the variation within the models which in his opinion were high.

Dr. Colby said that the variation was due to large swing in the input variables. The models were are not designed to handle large fluctuations in the independent variables. He asked the

Council's permission for TRP to update the models to accommodate the extreme volatility in the data.

Dr. Suyderhoud shared his forecast for discussion which was -5.3% for FY2022 but said he thought that number was too low.

Dr. Bonham shared his forecast of 7.7% for FY2022. Dr. Bonham stated that the mean forecast from the models was 6.3% growth rate.

Ms. Niwao said she is concerned with future revenues given the loss of federal monies and two income tax payments compared to the previous fiscal year.

Dr. Bonham responded that a bunch of the federal money from ARPA (American Rescue Plan Act of 2021) has not been spent yet and the State has till CY2023 to use those funds. Dr. Bonham did note that the federal money was to help replace visitor spending and vice versa now with people going back to work along with visitor spending it replaces federal stimulus given to the State.

Mr. Lee asked about the infrastructure bill?

Dr. Bonham said that for the second half of FY2022 and continuing to FY2023 infrastructure spending was built into their model.

Dr. Suyderhoud then asked Dr. Colby why Monthly YoY % change went from 15% to -10% in April 2022 in the Excel model for the General Fund forecast.

Dr. Colby explained that 15% is a conservative number when comparing a good year growth to a total shut down year. Dr. Colby then said that -10% was used because it was being compared to April 2021, which saw a strong rebound in collections.

Ms. Maynard was skeptical that the State will continue to see strong numbers through the rest of the fiscal year.

Mr. Hayashi on the other hand agrees with Dr. Bonham and thinks that 7.0% growth rate is defensible and realistic.

Mr. Lee in his opinion thinks that the State will continue with increased growth rate and agrees with Dr. Bonham's proposed 6.3% growth rate.

Ms. Niwao expressed that the surge from the Delta variant will affect the forecast in her opinion by slowing down of tourism and spending.

Mr. Kawafuchi called for a motion.

It was moved by Dr. Bonham and seconded by Mr. Hayashi that the General Fund growth rate forecast be 6.3% FY2022. 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
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

**DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE
FORECAST FOR FY2023:**

The Council was comfortable with their forecast of 4.0% growth rate for FY2023 and no discussion was needed.

Mr. Kawafuchi called for a motion.

It was moved by Dr. Suyderhoud and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 4.0% for FY2023. 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
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

**DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE
FORECAST FOR FY2024 THROUGH FY2028:**

Ms. Niwao started the discussion by asking Dr. Bonham how much they are forecasting for inflation in the out years.

Dr. Bonham said that their forecast for inflation rates is a little high but thinks in his opinion is still a conservative estimate.

Mr. Kawafuchi called for a motion.

It was moved by Mr. Lee and seconded by Vice-Chair Niwao that the General Fund revenue growth rate forecast be 4.0% for FY2024 through FY2028. 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
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	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 May 25th meeting. He provided a written report summary of significant changes in Federal COVID-19 Funds, COVID-19 State Fiscal Recovery Funds, Non-Revenue Receipts.

NEXT MEETING:

The Council tentatively agreed to meet on Tuesday, November 2, 2021 at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:50 p.m.