

## **COUNCIL ON REVENUES**

### **Total Personal Income Meeting Minutes** **Tuesday, November 2, 2021**

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

Tuesday, November 2, 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,  
Baybars Karacaovali, Dongliang Wu, and Roderick Tuliao  
Department of Budget and Finance (B&F): Terri Ohta

#### **CALL TO ORDER:**

The Vice-Chair called the meeting to order at 2:06 p.m. A quorum was present.

#### **COMMUNICATIONS TO THE COUNCIL AND PUBLIC COMMENT:**

Vice-Chair Niwao 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 SEPTEMBER 7, 2021:**

Vice-Chair Niwao 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 September 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
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes

Wendell K. Lee                      Yes

**DISCUSSION AND VOTE ON TOTAL PERSONAL INCOME FORECAST FOR  
CY2021:**

Dr. Colby opened the discussion for the Council by providing the previous Total Personal Income (TPI) forecast of 2.0% for CY2021 and -2.0% for CY2022.

Dr. Bonham stated that the Council should consider that all the data has been revised and that the previous forecast for CY2021 of 2.0% is probably too low.

Dr. Bonham said the current forecast for CY2021 of 4.5% and -1.8% for CY2022 from his model.

Mr. Kawafuchi asked Dr. Bonham why CY2022(????) is still negative considering all the inflationary pressures.

Dr. Bonham responded that for CY2022 the labor earnings are expected to grow to almost 5.0% but at the same time the transfer payments will fall from almost 20 billion in the second quarter of this year to about 16 billion for next year.

Ms. Maynard said that she was a little surprised that Dr. Bonham had such a strong number for CY2021 stating that in earlier forecasts about a month ago it was a negative number.

Dr. Bonham said that the CY2021 forecast was at 2.0% while noting that the revised data for CY2020 was a much stronger year and because of that revision it moved two percentage points out of the growth rate from CY2019 to CY2020. Dr. Bonham also said that the new data is weaker and as a result the CY2021 level in the Council's new forecast is almost 2 billion lower than it was in their previous forecast, but the growth rate is higher.

Ms. Maynard said that she looked at the UHERO forecast from September which was -1.1%.

Dr. Bonham said that the UHERO forecast is quoted in real terms and that he is speaking in terms of nominal because the current TPI forecast is nominal.

Ms. Niwao asked Dr. Bonham if the loss of workforce, government incentives, and retirements was factored in when forecasting.

Dr. Bonham said that it all factored into the models.

Ms. Maynard added that the number of jobs is falling more than the number of unemployed people due to the second and third jobs not being recovered.

Dr. Suyderhoud asked Dr. Bonham in terms of TPI being down by almost 7 billion how is the forecast getting 2.0%?

Dr. Bonham explained that most of the drop in the transfer payments happened in the second quarter but in the third quarter there was a stronger labor market.

Dr. Suyderhoud asked Dr. Bonham if the slowdown in tourism for the months of August, September, and October was also taken into consideration

Dr. Bonham said that the tourism for those months has been taken into consideration when forecasting.

Ms. Niwao stated that although there was cutting back on housekeeping and services, hotel prices continued to go up while services provided by individuals has gone down.

Dr. Bonham agreed that is definitely one of the things that is happening but not just at the hotel level.

Dr. Colby asked Dr. Bonham if any estimates had been done assuming the State was to remove any of the restrictions for restaurants in terms of going from 50% capacity to 100% capacity.

Dr. Bonham said that no revenue estimate has been done.

Ms. Niwao asked Dr. Bonham's opinion regarding the increase in tourism and increase in wages.

Dr. Bonham said that continued growth and strengthening of visitor spending and getting back international visitor spending while allowing for more activities such as weddings and events will all help the State get back to pre-Pandemic levels.

Dr. Suyderhoud asked Dr. Bonham what was his forecast for CY2021 and CY2022.

Dr. Bonham said 4.5% for CY2021 and -2.0% for CY2022.

Mr. Kawafuchi asked Dr. Bonham what percentage of the work force is not working that was working pre pandemic in terms of numbers.

Dr. Bonham said that if you kept the labor force constant and you only looked at the decline in the employment that would mean a 10% unemployment rate.

Mr. Kawafuchi then asked if the unemployment rate captures the reduction in the workforce.

Dr. Bonham said that the unemployment rate does capture the reduction in workforce.

Mr. Kawafuchi also asked about the growth rate and what goes into it.

Dr. Bonham said that Total Personal Income consists is the sum of earnings by place of work, personal transfer payments, and dividends, interest, and rent.

Ms. Maynard asked the Council if 4.0% for CY2021 is a good number.

**It was moved by Ms. Maynard and seconded by Dr. Suyderhoud that the Total Personal Income forecast be 4.0% growth rate for CY2021. 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 TOTAL PERSONAL INCOME FORECAST FOR CY2022:**

Dr. Bonham opened the discussion by stating that Federal money going to government agencies is still being spent in 2021 and in some cases, they have multiple years to spend the money

received through the American Rescue Plan. For this reason, the current forecast of -1.8% might be a little bit too pessimistic.

Dr. Bonham then suggested a forecast of -1.5% for CY2022.

Ms. Maynard said that given the increased baseline for CY2021 that's still substantially higher than where the Council would have been.

Ms. Niwao shared that with the economy as a whole she is uncomfortable due to the stock market and the huge amount of the Federal deficit, along with supply chain disruptions and how all of those things will have an effect on jobs and personal income.

Mr. Lee shared his views regarding the supply chain demand stating that demand is at a high level across the board.

Dr. Bonham said supply chain problems are being created by shifting demand. People did not go to theater's, restaurant's, or travel but instead spent their money on durables.

**It was moved by Dr. Bonham and seconded by Dr. Suyderhoud that the Total Personal Income forecast be -1.5% growth rate for CY2022. The Chair called for the vote, and the motion passed with the following votes:**

<b>Kurt Kawafuchi</b>	<b>Yes</b>
<b>Marilyn Niwao</b>	<b>Yes</b>
<b>Carl S. Bonham</b>	<b>Yes</b>
<b>Jack P. Suyderhoud</b>	<b>Yes</b>
<b>Kristi L. Maynard</b>	<b>Yes</b>
<b>Scott W. Hayashi</b>	<b>Yes</b>
<b>Wendell K. Lee</b>	<b>Yes</b>

**NEXT MEETING:**

The Council tentatively agreed to meet on Thursday, January 6, 2021 at 2 p.m.

**ADJOURNMENT:**

The meeting adjourned at 3:01 p.m.