

**DRAFT**

**COUNCIL ON REVENUES**

**General Fund Meeting Minutes**  
**Thursday, March 10, 2022**

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

Thursday, March 10, 2022  
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: Seth Colby, Yvonne Chow, Baybars Karacaovali,  
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 2:10 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 JANUARY 6, 2022:**

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 January 6th meeting be accepted. 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>

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

Ms. Niwao asked Dr. Colby to clarify the increase of revenues in April 2021

Dr. Colby presented the current status of General Fund revenue collections.

Dr. Bonham clarified that GET revenues have rebounded and remained elevated by referencing the GET Collections MoM% slide provided by Dr. Colby.

Dr. Bonham said that General Fund revenues remained elevated because in the most recent data the State has been averaging 30% - 40% growth in total General Fund each month compared to the same month from the previous year.

Mr. Kawafuchi asked Dr. Bonham to explain the July 2021 General Fund revenues.

Dr. Bonham said that July 2021 was the shifting of revenues and stated that the State had a big July 2020.

Dr. Suyderhoud stated that July 2021 looks low by growth comparison compared to July 2020 because of the State extending the tax payments for April 2020 to July 2020.

Dr. Colby shared Table A with the Council and explained that it is designed to help them estimate Total General Fund growth.

Dr. Colby shared Table 8 which shows the effect size of two major variables in the forecasting model.

Dr. Suyderhoud stated what he found interesting regarding Table 8 was that the revenues were much more sensitive to the assumed visitor arrivals than they are to Total Personal Income growth.

Ms. Niwao stated that tax revenues are increasing because of the inflation effect and asked both Dr. Bonham and Dr. Suyderhoud what percentages do they think the increase in tax revenues collected is due to both the real economic growth and inflation factor.

Dr. Bonham responded that he could not provide the exact breakdown.

Dr. Suyderhoud said that for the sake of discussion they should assume that half the growth is due to real economic activity and the other half of it is due to inflation.

Dr. Bonham stated that inflation will drive up tax revenues.

[\[PRESENTATION AVAILABLE ON COR WEBSITE\]](#)

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

Ms. Niwao said that the State general fund will benefit from higher inflation.

Ms. Niwao expressed her concern about the cost of both fuel and food going up which would have an effect on consumers.

Dr. Bonham agreed with Ms. Niwao regarding higher prices and higher inflation but stated that the primary source of demand is visitor spending and noted that for the summer statewide bookings is about 40%-50% growth compared to last year.

Mr. Hayashi asked Dr. Bonham if the bookings reflected international travel as well or was it primarily domestic.

Dr. Bonham responded that his source did not have a breakdown of the international and domestic bookings.

Mr. Kawafuchi asked Dr. Bonham if the visitor arrivals will have more of an impact next fiscal year compared to this fiscal year due to more international markets opening up for tourism.

Dr. Bonham said yes..

Dr. Suyderhoud asked Dr. Bonham what their absolute numbers was for visitor arrivals for FY22, FY23 or CY22, CY23.

Dr. Bonham responded that visitor arrivals for FY2022 is 8.2 million, FY23 is 9.2 million and FY24 is 9.4 million.

Dr. Suyderhoud said that the Council average for FY22 is 7.5 million, and for FY23 is 8.4 million according to Table 3 of their booklet.

Ms. Maynard thinks that one thing that these models don't consider is what has actually happened year to date.

Ms. Niwao asked Dr. Bonham his thoughts on inflation affecting the disposable income of tourists and their spending.

Dr. Bonham said that it would show up in there forecast primarily in FY2023 as fewer visitors.

Mr. Kawafuchi asked Ms. Niwao her forecast for FY2022.

Ms. Niwao responded with 20% growth rate.

Ms. Maynard asked the Council if they feel comfortable with 21% growth rate.

Dr. Suyderhoud said that he would be comfortable with 20% or 21% growth rate.

Ms. Niwao expressed her concerns with the ongoing world events and feels that we are not in a strong position but would be ok with 20% or 21% growth rate.

Mr. Lee is ok with 21% growth rate; he thinks it could be a little higher.

Dr. Bonham made a motion for 21% growth rate for FY2022.

**It was moved by Dr. Bonham and seconded by Vice-Chair Niwao that the General Fund growth rate forecast be 21.0% FY2022. 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>

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

Ms. Maynard reminded the Council that the starting point has been increased by 6.0%

Dr. Suyderhoud said that as a point of reference the model shows 8.3% consensus from model one.

Dr. Suyderhoud shared his growth rate of 5.9% for FY2023.

Dr. Bonham said that he re-ran the Council's model with a stronger inflation and found that there was not that much difference due to the offsets of higher price effects and fewer visitors.

Ms. Niwao asked Dr. Bonham if there will be a recession or stagflation.

Dr. Bonham explained that stagflation is slower growth and high inflation which in opinion will happen but for how long would be the issue.

Dr. Bonham thinks that when they release their next forecast the growth rate forecast will be lower, and the inflation forecast will be higher which will likely continue for the next few years.

Ms. Niwao asked Ms. Maynard her thoughts on interest rates.

Ms. Maynard responded that certainly they are talking about increasing interest rates anywhere from four to six times this year. She also stated that she does not think the Fed will do anything crazy and thinks the Fed is going to be deliberative in what they do. Ms. Maynard also talked about the unusual position we are in today. The last time inflation was this high, 10-year treasury yields were over 10%. We currently have large negative real returns throughout the yield curve.

Dr. Bonham agreed with Ms. Maynard with the interest rates and said that in their models what has happened was as they were raising the interest rate forecasts, it was being offset by the recovery and incomes that are higher than anticipated.

Dr. Bonham said that his forecast for FY2023 was 10% growth rate which was higher than the Council's mean of 8.3% growth rate.

Ms. Maynard said that she would rather go with a lower number for FY2023 due to all the uncertainties and would be more comfortable with 6.0% growth rate rather than 8.3% growth rate.

Dr. Bonham agreed with Ms. Maynard with the 6.0% growth rate for FY2023.

Mr. Hayashi thinks that the 6.0% growth rate is a little low and also conservative for FY2023.

Ms. Niwas expressed her concerns with inflation and the disconnect with prices.

Mr. Hayashi asked Dr. Bonham if the increase in prices is being driven by up by supply chain issues.

Dr. Bonham said yes and referenced the biggest increase in the January data, which was in used cars.

Mr. Lee said that with the inflation at 3.0% once it's built in, prices will not go back down it will probably go up or level off. Mr. Lee also thinks if interest's rates start to go up the valuations will start to change again.

Ms. Maynard made a motion for 6.0% growth for FY2023

**It was moved by Ms. Maynard and seconded by Mr. Lee that the General Fund revenue growth rate forecast be 6.0% for FY2023. 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>

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

Mr. Kawafuchi shared the Council's forecast of 4.0% and asked if there were comments regarding the forecast for FY2024 through FY2028.

Ms. Niwao said that 4.0% growth would be fine assuming that there is no cyber-attack or some kind of thing that cuts off our internet or electricity because she is unsure how DOTAX would be able to collect revenues if this was to happen.

Dr. Bonham responded that the Council's mean in the out-years is now at 4.0%. The forecast becomes harder the further out. Inflation is the wild card which they expect to return to 2.0%.

Dr. Bonham said that he would be ok with 4.0% growth rate for FY2024 followed by 3.5% growth rate for the remaining out-years.

Ms. Niwao asked Dr. Bonham if his model takes into consideration workforce shortage.

Dr. Bonham said yes, but that in his forecast for the out-years, he does not have population or labor force recovering.

Dr. Suyderhoud said that he would be more comfortable at 4.0% growth and agreed with Ms. Niwao regarding the demographic shift in the labor force availability.

Mr. Lee said he was fine with 4.0% growth rate.

Ms. Maynard made a motion for 4.0% growth rate for FY2024 and a decrease to 3.5% for the remaining out-years of FY2025 through FY2028.

**It was moved by Ms. Maynard and seconded by Dr. Bonham that the General Fund revenue growth rate forecast be 4.0% for FY2024 and 3.5% for FY2025 through FY2028. 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>

**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 6th meeting. He provided a written report summary of significant changes due to special tax revenues.

**It was moved by Dr. Suyderhoud and seconded by Ms. Maynard to adopt Budget & Finance Report. 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 Monday, May 23, 2022, at 2 p.m.

**ADJOURNMENT:**

The meeting adjourned at 3:27 p.m.