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COUNCIL ON REVENUES

Total Personal Income Meeting Minutes **Thursday, October 27, 2022**

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

Thursday, October 27, 2022
2:00 p.m.

PRESENT:

Council Members:

Kurt Kawafuchi, (Chair), Marilyn Niwao (Vice-Chair), Carl Bonham,
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): Terri Ohta

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 SEPTEMBER 6, 2022:

Chair Kawafuchi called for a motion to approve the minutes. Mr. Lee moved to approve the minutes. Ms. Maynard seconded.

It was moved by Mr. Lee and seconded by Ms. Maynard that the minutes of the September 6th 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
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

DISCUSSION AND VOTE ON TOTAL PERSONAL INCOME FORECAST FOR CY2022:

Mr. Kawafuchi asked Dr. Bonham to if he could start the discussion for the Council's TPI (Total Personal Income) forecast for CY2022.

Dr. Bonham opened the discussion by asking Dr. Colby for the Council's current forecast.

Dr. Colby said that the Council's forecast is currently at -1.5%.

Dr. Bonham said that nominal personal income is down 3.3% but explained that all the data has been revised since the Council did their last forecast.

Dr. Bonham asked Dr. Colby to provide the forecasts from UHERO (University of Hawaii Economic Research Organization) and DBEDT (Department of Business, Economic Development and Tourism).

Dr. Colby said the UHERO forecast is 1.2% and the DBEDT forecast is -0.5%.

Mr. Kawafuchi asked Dr. Colby when DBEDT made their forecast available.

Dr. Colby responded with August 24, 2022.

Dr. Bonham said that both of the forecast would be for quarter three which would have been done before revisions.

Dr. Bonham stated that revisions have the effect of lowering the current year numbers.

Mr. Kawafuchi asked Dr. Bonham if the U.S. GDP (Gross Domestic Product) was positive.

Dr. Bonham said that the U.S. GDP was 2.6%.

Dr. Bonham said that the decline in transfer payments will result with total income being roughly 0%.

Mr. Hayashi asked Dr. Bonham if Biden's loan forgiveness would be considered a transfer payment.

Dr. Bonham said that he was uncertain, however he does not think it would affect CY2022 and suggested that the Council adopted a number of 0% for CY2022.

Mr. Kawafuchi clarified with Dr. Bonham that the State would need to average 3.0% growth for another six months to take CY2022 to 0%.

Dr. Bonham explained that in order for this to happen transfer payments would need to stop falling although currently there is still a drag regarding the transfer payments.

Mr. Kawafuchi asked Dr. Bonham if there were any other factors that would increase the Total Personal Income.

Dr. Bonham said that wages due to more people working along with 6% inflation would increase Total Personal Income.

Dr. Bonham moved for 0% Total Personal Income forecast for CY2022.

Mr. Lee agrees and would be comfortable with the 0% Total Personal Income due to the simple average of the models being 0.2%.

Mr. Lee seconded Dr. Bonham's motion for 0% Total Personal Income forecast for CY2022.

It was moved by Dr. Bonham and seconded by Mr. Lee that the Total Personal Income forecast be 0% growth rate for CY2022. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

DISCUSSION AND VOTE FOR ON TOTAL PERSONAL INCOME FORECAST FOR CY2023:

Dr. Bonham started the discussion for CY2023 by sharing DBEDT's forecast of 2.5%.

Dr. Bonham said that with all the updated data his UHERO model is at 5.2%

Ms. Maynard said that she likes the Council's forecast 4.0%.

Dr. Bonham responded that 4.0% could be plausible since the Council's forecast is for essentially flat jobs from the fourth quarter of this year and all the way to the fourth quarter of next year.

Dr. Bonham thinks that the State would be impacted by the U.S. recession and probably a global recession in 2023 but in his opinion the wild card to all this is still whether or not the State and the Counties can mobilize the construction dollars along with the Japanese visitor recovery.

Mr. Kawafuchi asked Dr. Bonham to expand further on his thoughts of a recession in 2023.

Dr. Bonham responded that the two major economies U.S. and Europe are in a very deep slow down makes it feel like a global recession.

Ms. Niwao expressed her concerns for all the geopolitical impact from all the events around the world citing Ukraine, Korea, and China.

Mr. Hayashi commented on Ms. Niwao's concern by stating that from a construction industry standpoint the federal government has been ramping up spending by committing significant dollars to a lot of defense projects and in Mr. Hayashi's opinion he thinks that may offset some of the downturn of income from tourists.

Ms. Maynard proposed 4.0% Total Personal Income for CY2023.

Ms. Niwao agrees with Ms. Maynard given the circumstances that she is seeing around the world.

Mr. Hayashi felt comfortable with 4.0% Total Personal Income for CY2023.

Mr. Lee was ok with 4.0% Total Personal Income for CY2023.

It was moved by Ms. Maynard and seconded by Vice-Chair Niwao that the Total Personal Income forecast be 4.0% growth rate for CY2023. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl S. Bonham	Yes

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

NEXT MEETING:

The Council tentatively agreed to meet on Thursday, January 5, 2023, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 2:55 p.m.