

COUNCIL ON REVENUES

General Fund Meeting Minutes **Monday, January 8, 2024**

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

Monday, January 8, 2024
2:00 p.m.

PRESENT:

Council Members:

Kurt Kawafuchi, (Chair), Kristi Maynard (Vice-Chair), Carl Bonham,
Scott Hayashi, Wendell Lee, Regina Ostergaard-Klem, Mike Hamasu

Staff Members:

Department of Taxation: Director Gary Suganuma, Deputy Kristen Sakamoto,
Seth Colby, Yvonne Chow, Baybars Karacaovali, Shi Fu, 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 NOVEMBER 1, 2023:

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

It was moved by Ms. Maynard and seconded by Mr. Lee that the minutes of the November 1st meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Kristi Maynard	Yes
Carl Bonham	Abstain
Scott W. Hayashi	Yes

Wendell Lee	Yes
Regina Ostergaard-Klem	Yes
Mike Hamasu	Yes

REVIEW OF REVENUES BY DR. SETH COLBY, TAX RESEARCH & PLANNING OFFICER:

Dr. Colby prepared a brief presentation for the Council which highlighted the following information for the:

1. Preliminary Comparative Statement of State General Fund Tax Revenues for December 2023.
2. Monthly GET Revenues
3. Individual Income Collections
4. Issues Impacting FY2024 Collections
 - a. Lower base in FY2022 from Constitutional Refund
 - i. \$311.7 million in September and October
 - b. Lower estimated tax payments will reset in January 2024
 - c. Economic impacts from Maui wildfires
 - d. Economic slowdown at national and state level
 - e. Tax law changes
 - i. -\$83 million in FY2023
5. Current Council on Revenues Forecast
6. Model 1 – Estimates of General Fund Tax Revenue: FY2024 to FY2030
7. Table 9: FY2023 General Fund Tax Revenues: Forecast vs. Actual
8. Table 8: Impact of Economic Parameters for FY2023 of Model 1
[\[PRESENTATION AVAILABLE ON COR WEBSITE\]](#)

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEAR 2024:

The end of the presentation transitioned into the Council's discussion for FY2024.

Dr. Bonham started the discussion by highlighting the month of April in the Individual Income Collections chart provided by Dr. Colby.

Dr. Bonham thinks the big question mark for FY2024 is the month of April because of its uncertainty due to previous years.

Dr. Colby added that a larger percent of the States income for April is coming from non-wage income which all comes down to estimated taxes which makes it harder to judge.

Mr. Lee asked if taxpayers are underestimating their estimated taxes or are taxpayers paying underpayment penalties.

Mr. Kawafuchi and Ms. Maynard stated that changes made along with higher interest rates to the underpayment penalties would deter taxpayers from underestimating.

Dr. Colby shared with the Council the passing of the pass-through entity law.

Dr. Colby stated that this law would allow people to file their State taxes at the entity level which would allow the taxpayer to claim their taxes against their federal taxes.

Dr. Colby thinks that if more taxpayers started to take advantage of the pass-through entity law the State should expect lower declared estimated taxes at the individual level and higher estimated taxes at the corporate level moving forward.

Mr. Kawafuchi asked Dr. Colby what was the driving factors with regards to the Council's forecast last general fund meeting that was held on September 7, 2023.

Dr. Bonham responded the Council's forecast was mainly due to the Maui wildfires and its uncertainty surrounding the recovery of Maui wildfires.

Dr. Bonham said the bounce back to the labor market has been pretty astounding.

Dr. Bonham stated that the unemployment rate in September peaked at around 8,800 filings for claims compared to the December claims which was lowered by about half.

Dr. Bonham also highlighted the tourism recovery which came back stronger than expected.

Dr. Bonham said that he is not surprised with the revising of the UHERO upward forecast due to the following things he has highlighted with the Council.

Dr. Bonham told the Council that he has updated his model after he received the December data point from Dr. Colby and has a forecast of 4.0% growth for FY2024.

Ms. Maynard said that a 4.0% growth rate for FY2024 seemed reasonable given the Maui recovery.

Ms. Maynard motion for a 4.0% growth rate for FY2024.

Mr. Hayashi agreed with Ms. Maynard citing that the total growth rate for the year is 3.3% along with 1.2% increase for each of the month that would give the Council a forecast of 4.0%.

Ms. Ostergaard-Klem and Mr. Hamasu also were both in agreement with the forecast of 4.0% growth rate for FY2024.

Mr. Lee seconded the motion for 4.0% growth rate for FY2024.

It was moved by Ms. Maynard and seconded by Mr. Lee that the General Fund growth rate forecast be 4.0% FY2024. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Kristi Maynard	Yes
Carl Bonham	Yes
Scott W. Hayashi	Yes
Wendell Lee	Yes
Regina Ostergaard-Klem	Yes
Mike Hamasu	Yes

DISCUSSION AND VOTE FOR THE GENERAL FUND TAX REVENUE FORECAST FOR FY2025:

Mr. Kawafuchi asked the Dr. Bonham if he could start the discussion for FY2025.

Dr. Bonham is ok with the Council's current forecast of 5.2% growth rate for FY2025.

Mr. Kawafuchi asked Dr. Bonham about the latest consensus regarding recession.

Dr. Bonham responded that the latest consensus now is a soft landing.

Ms. Maynard suggested that since the Council has raised the forecast for FY2024 that the Council should consider lowering the forecast for FY2025 due to having a higher jumping off point.

Mr. Hamasu shared his forecast of FY2025 to be fairly strong due to the anticipation that interest rates will decline in the second half of the year, and from a real estate's perspective he's looking at much more investment and development happening moving forward as a result of that.

Mr. Hayashi asked Mr. Hamasu and Dr. Bonham if the prospect for more construction will be constrained by resources.

Mr. Hamasu responded that with the supply chain shortage could drive up prices and dampen development.

Mr. Hamasu thinks that interest rates will have a bigger impact moving forward due to financing for development.

Ms. Ostergaard-Klem asked if the Council could discuss income and wages to inflation as it pertains from the US to Hawaii.

Dr. Bonham noted that the decline in inflation that was seen nationally has resulted in wages growing in real terms.

Dr. Bonham said that he is comfortable with the Councils current forecast is at 5.2% growth rate for FY2025.

Ms. Maynard said she would be comfortable with a lower number and suggested 4.5% growth rate for FY2025.

Mr. Lee thinks that due to interest rates driving changes along with sales, the economy, and stock market he feels comfortable with the model forecast for the Council of 5.2%.

Mr. Hayashi is comfortable with either 4.5% or 5.2% growth.

Ms. Ostergaard-Klem was also ok with 4.5% growth rate for FY2025.

Mr. Hamasu said that he felt a little more optimistic and thought that 4.75% to 5.0% might be a little more favorable.

Ms. Maynard motioned 4.75% growth rate for FY2025.

Dr. Bonham seconded 4.75% growth rate for FY2025.

It was moved by Ms. Maynard and seconded by Dr. Bonham that the General Fund revenue growth rate forecast be 4.75% for FY2025. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Kristi Maynard	Yes
Carl Bonham	Yes
Scott W. Hayashi	Yes

Wendell Lee	Yes
Regina Ostergaard-Klem	Yes
Mike Hamasu	Yes

**DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE
FORECAST FOR FY2026 THROUGH FY2030:**

Mr. Kawafuchi said that the Council is currently at 3.5% growth rate for FY2026 through FY2030.

Mr. Kawafuchi asked if Dr. Bonham would like to lead the discussion for the following years.

Dr. Bonham said that due to the perceived boom period in terms of rebuilding during 2026, he would be comfortable with a 4.5% or 4.0% growth rate for FY2026 and leave the out years the same at 3.5% growth rate.

Mr. Hamasu agreed with Dr. Bonham.

Ms. Maynard agreed with both Mr. Hamasu and Dr. Bonham.

Dr. Bonham moved for 4.5% growth rate for FY2026, 4.0% growth rate for FY2027, and 3.5% growth rate for FY2028 thru FY2030.

Mr. Lee seconded the motion for 4.5% growth rate for FY2026, 4.0% growth rate for FY2027, and 3.5% growth rate for FY2028 through FY2030.

It was moved by Dr. Bonham and seconded by Mr. Lee that the General Fund revenue growth rate forecast be 4.5% for FY2026, 4.0% for FY2027, 3.5% for FY2028 through FY2030. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Kristi Maynard	Yes
Carl Bonham	Yes
Scott W. Hayashi	Yes
Wendell Lee	Yes
Regina Ostergaard-Klem	Yes
Mike Hamasu	Yes

**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 September 7th meeting.

Mr. Kawafuchi asked Mr. Chun how much money has come in from the federal government so far to help with the Maui wildfires.

Mr. Chun currently did not have that specific number and will reply at a later time to the Council.

Mr. Hayashi asked Mr. Chun if the 1.3 billion drop in the federal line for 2023 was being spread out over subsequent years.

Mr. Chun responded that it is partially but explained that a lot of that is reimbursement from FEMA.

Mr. Chun noted that the Federal government will reimburse the State for funds it expends.

It was moved by Mr. Hayashi and seconded by Mr. Lee to adopt Budget & Finance Report. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Kristi Maynard	Yes
Carl Bonham	Yes
Scott W. Hayashi	Yes
Wendell Lee	Yes
Regina Ostergaard-Klem	Yes
Mike Hamasu	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Monday, March 11, 2024, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:42 p.m.