

COUNCIL ON REVENUES

General Fund Meeting Minutes Monday, March 11, 2024

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

Monday, March 11, 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 Sukanuma, 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 2:01 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 8, 2024:

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

It was moved by Ms. Maynard and seconded by Mr. Hayashi that the minutes of the January 8th 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 | Yes |
| 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 February 2024.
2. Monthly GET Revenues
3. Individual Income Collections
4. Corporate Income Tax
5. 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. Pass through entities shifting state payments from individual to corporate.
 - e. Tax law changes
 - i. -\$83 million in FY2023
6. Current Council on Revenues Forecast

Dr. Bonham asked Dr. Colby if April would continue to be strong or if it would return back to pre-pandemic level.

Dr. Colby responded that he does not foresee a large drop from the previous year.

Mr. Kawafuchi asked Dr. Bonham if he expected a 2 or 3% drop for the quarter.

Dr. Bonham clarified that if April is not as big as it was in 2022 and 2023 then on a year over year basis there would be a drop.

Ms. Maynard shared that condo sales for 2023 are down 24% for December and 28% for the year compared to 2022 by number of units, and for single family it is down about 10% for December and 26% for the year.

Dr. Colby responded that the activity for the real estate market matters due to the amount of people that estimated taxes.

Mr. Kawafuchi asked Mr. Hamasu if he had any thoughts and comments regarding the real estate industry.

Mr. Hamasu said that their investment sales report for 2023 identified that there was an 18 or 19% drop in sales volume and a 31% drop off in transaction counts in comparison to 2022.

Mr. Kawafuchi asked Mr. Hayashi if he had any thoughts and comments.

Mr. Hayashi agreed with the Council that there is a weakening in the real estate market.

Mr. Kawafuchi asked Mr. Lee if he had any thoughts and comments.

Mr. Lee said that the Council expected a drop due to real estate, but they did not anticipate that the stock market was going to do well as it did and from that standpoint a forecast of 4.0% or 3.8% Mr. Lee feels the Council has a good handle on their estimate.

Mr. Kawafuchi asked Ms. Ostergaard-Klem if she had any thoughts and comments.

Ms. Ostergaard-Klem said she would defer to those on the Council that is involved in the real estate sector.

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

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

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

Mr. Kawafuchi stated that the Council has officially moved on to agenda item for revenue forecast for FY2024.

Mr. Kawafuchi asked the Council if anyone would like to propose a number for FY2024.

Dr. Bonham went on the record expressing his caution to the Council for FY2024 noting April's uncertainty and decline in home value in 2024 compared to 2023.

Dr. Bonham thought that both those factors will have significant impact on estimated taxes and payments with returns.

Dr. Bonham stated that he would be inclined to leave the forecast unchanged for the current fiscal year.

Dr. Bonham motioned for 4.0% growth rate for FY2024.

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

Mr. Kawafuchi asked the Council if there was any further discussion for FY2024.

Ms. Maynard agreed with Dr. Bonham regarding the uncertainty of April.

Mr. Kawafuchi asked the Council if there was any other concerns or comments.

There were no more concerns or comments regarding growth rate for FY2024.

It was moved by Dr. Bonham 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:

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|-------------------------------|------------|
| 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 if anyone from the Council would like to start off the discussion for FY2025.

Mr. Kawafuchi asked Mr. Hamasu about his thoughts from the previous meeting regarding dropping of interest rates and how it might be more robust in FY2025.

Mr. Hamasu responded that he anticipates stronger growth towards the end of the year and that he is optimistic of the Council's previous forecast of 4.75%.

Ms. Maynard agreed with Mr. Hamasu but expressed her concern with the anemic growth in GE (General Excise) taxes and lower TAT (Transient Accommodations Tax).

Dr. Bonham shared his thoughts for FY2025.

Dr. Bonham then added that Maui debris removal might be done by the first quarter of 2025 which suggests in his opinion that the State will start to see some infrastructure rebuilding by the end of 2024 and then accelerating through 2025.

Dr. Bonham thought for those reasons the State will see higher growth rates for FY2025, FY2026 and FY2027.

Ms. Ostergaard-Klem asked Dr. Bonham what's the time frame for rebuilding.

Dr. Bonham responded that the State would see significant activity in 2025 specifically on Maui.

Mr. Hamasu asked Dr. Colby what percentage of the total revenues are based on construction.

Dr. Colby said that he was unsure but did note that in their model's construction is the third most important after TPI and visitor arrivals.

Dr. Bonham added that spill over effects of contracting is where you'd see most of the economic impact.

Mr. Kawafuchi asked the Council if anyone would want to propose a number for FY2025.

Dr. Bonham motioned for 4.8% growth rate for FY2025.

Ms. Maynard seconded the motion for 4.8% growth rate for FY2025.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 4.8% 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 asked if Dr. Bonham would like to lead the discussion for the following years.

Dr. Bonham said that he would be comfortable with keeping FY2026 through FY2030 unchanged.

Mr. Hamasu asked Dr. Bonham if the Council's forecast would stick at 4.5% going forward even with anticipating a healthy growth through 2027.

Dr. Bonham responded yes, due to the uncertainty regarding the out years.

Mr. Lee agreed with 4.5% growth rate for FY2026, 4.0% growth rate for FY2027, and 3.5% growth rate for FY2028 through FY2030.

Mr. Hamasu agreed with staying at 4.5% growth rate.

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

Mr. Hamasu 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. Hamasu 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. Chun started with answering a previous question regarding the amount of money received from the federal government to help with the Maui wildfires from the Council's January 8, 2024, meeting.

Mr. Chun said that he provided the Council with a link that reflected a 2-billion-dollar infusions of federal funds to various State departments.

Mr. Donovan Chun then provided the Council with a report of revised projections for General Fund non-tax revenues, non-General Fund tax, and non-tax revenues since the January 8th meeting.

**It was moved by Dr. Bonham 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 Wednesday, May 29, 2024, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:42 p.m.