

DRAFT

COUNCIL ON REVENUES

General Fund Meeting Minutes
Wednesday, May 29, 2024

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

Wednesday, May 29, 2024
2:00 p.m.

PRESENT:

Council Members:

Kurt Kawafuchi, (Chair), Kristi Maynard (Vice-Chair), Carl Bonham,
Scott Hayashi, Wendell Lee, 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 MARCH 11, 2024:

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. Hayashi that the minutes of the March 11th 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
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 April 2024.
2. Monthly GET Revenues
3. Individual Income Collections
4. Corporate Income Tax
5. Individual and Corporate Collections
6. General Fund Collections
7. Preliminary Comparison of May Numbers
8. 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
 - f. Preliminary collections for May 2024 are weak
9. Current Council on Revenues Forecast
10. Model 1 – Estimates of General Fund Tax Revenue: FY 2024 to FY 2030

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

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

Mr. Kawafuchi asked Dr. Bonham if he would like to lead the discussion for FY2024.

Dr. Bonham started the discussion by expressing his thoughts about rate cuts coming down, flat visitor numbers for the state, and the jump of inflation in Honolulu.

Ms. Maynard added that the visitor count was running 3% lower than the previous year.

Dr. Bonham responded that although visitor numbers are down their consensus forecast shows an improvement for arrivals next fiscal year.

Ms. Maynard shared her concerns regarding visitor expenditures which in her opinion is a little discouraging.

Mr. Kawafuchi asked Mr. Lee his thoughts regarding FY2024.

Mr. Lee responded that he has been more focusing more on the real estate side and sales.

Mr. Lee thinks that the State has been bolstered by inflation for GET for a while and is concerned about the downturn.

Mr. Kawafuchi asked Mr. Hamasu his thoughts regarding FY2024.

Mr. Hamasu shared his thoughts regarding rolling recession and how interest sensitive industries are impacted.

Mr. Hamasu stated that he would not be as optimistic as he was at the end of the first quarter.

Mr. Kawafuchi asked Dr. Bonham if he had any number to be proposed for FY2024.

Dr. Bonham said that he would be comfortable with a growth rate of 3.0% for FY2024.

Dr. Bonham moved for 3.3% growth rate for FY2024.

Ms. Maynard seconded for 3.3% growth rate for FY2024.

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

Mr. Hayashi thinks 3.3% growth rate for FY2024 sounds reasonable.

It was moved by Dr. Bonham and seconded Ms. Maynard that the General Fund growth rate forecast be 3.3% 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
Mike Hamasu	Yes

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

Mr. Kawafuchi asked Dr. Bonham to start the discussion for FY2025.

Dr. Bonham reiterated his previous opinion by stating he was not inclined to change the out-year forecasts.

Dr. Bonham explained that he does not think the overall outlook has changed that much and that the current forecast is reasonable.

Mr. Hamasu asked Dr. Bonham what percentage of the total construction dollars are government sponsored.

Dr. Bonham responded that if you go back to pre-pandemic the average from 2017 to 2019 is about 25%.

Dr. Bonham thinks the Council may have underestimated the amount of public dollars going into construction projects.

Ms. Maynard agreed with Dr. Bonham by stating that construction is a positive on the horizon.

Mr. Hayashi asked Dr. Bonham with regards to construction if by not being able to staff all the projects will it reverse some of the loss due to returning workforce.

Dr. Bonham said that as of now the data April the State is at a record high for construction job count of 41,000 construction workers.

Mr. Hamasu asked Ms. Maynard what's the bottom line for company's trying to secure construction loans.

Ms. Maynard responded construction loans are viewed as risky due to not having a finished product.

Dr. Bonham added that the banks are already under pressure because of the flat yield curve.

Mr. Kawafuchi asked if any of the Council members had any motion for a number for FY2025.

Dr. Bonham moved to adopt the FY2025 to FY2030 that's in table one.

Mr. Kawafuchi clarified for that 4.8% for FY2025, 4.5% for FY2026, 4.0% for FY2027, and 3.5% for FY2028 thru FY2030.

Mr. Lee seconded the motion to adopt the FY2025 to FY2030 that's in table one.

Mr. Kawafuchi asked if there was any further discussion.

It was moved by Dr. Bonham and seconded by Mr. Lee 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
Mike Hamasu	Yes

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

Vote from agenda line item VI.

Dr. Bonham moved to adopt the FY2025 to FY2030 that's in table one.

Mr. Lee seconded the motion to adopt the FY2025 to FY2030 that's in table one.

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
Mike Hamasu	Yes

**REPORT BY THE DEPARTMENT OF BUDGET & FINANCE ON OTHER REVENUES
BY MR. DONOVAN CHUN:**

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 March 11th meeting. He provided a written report summary of significant changes primarily attributed to the transfer of General funds to the stadium Development Special fund, net increase of updated amounts of reimbursements received for medical assistance program at DHS, and anticipated insurance proceeds for various State agencies resulting from the 2023 Maui Wildfire incident.

It was moved by Mr. Hayashi and seconded by Ms. Maynard 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
Mike Hamasu	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Thursday, August 1, 2024, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:33 p.m.