

DRAFT

COUNCIL ON REVENUES

General Fund Meeting Minutes
Thursday, September 5, 2024

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

Thursday, September 5, 2024
2:00 p.m.

PRESENT:

Council Members:

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

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): Gregg Hirohata-Goto

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 AUGUST 1, 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. Lee that the minutes of the August 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	Yes

Scott W. Hayashi	Yes
Wendell Lee	Yes
Mike Hamasu	Yes
Regina Ostergaad-Klem	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 June and July 2024.
2. Monthly GET Revenues
3. Individual Income Collections
4. Individual and Corporate Collections
5. General Fund Collections
6. 2024 Legislation – Individual Income Tax
 - a. Standard Deduction
 - i. A larger standard deduction exempts more income taxation
 - ii. Increasing the standard deduction benefits low to moderate-income taxpayers more since they are less likely to itemize deductions
 - b. Tax Bracket Adjustments
 - i. Eliminates the lowest income tax brackets
 - ii. The highest tax brackets go into effect at higher income thresholds
7. 2024 Legislation – General Excise Tax
 - a. Exempts GET from medical and dental services provided to patients who received Medicaid, Medicare, or TRICARE
 - b. Includes macroeconomic impacts and additional tax revenue from increased income
8. Additional Fiscal Development in FY 2025
9. Things to keep in mind as Hawaii undergoes large fiscal changes
 - a. Hawaii is a balanced-budget state
 - i. There is limited capacity for intertemporal shifts in spending
 - b. Potential vectors for shifts in aggregate demand
 - i. Short Term
 1. Consumers spend money faster than the government
 - ii. Medium Term
 1. Increased incomes boost migration into State (or slow outflows)
 - iii. Long-Term

1. Citizens invest money more productively than government
 2. Lack of public investment, leads to capital deterioration
10. Suggestion to Council
11. Current Council on Revenues Forecast – May 29, 2024
[\[PRESENTATION AVAILABLE ON COR WEBSITE\]](#)

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEAR 2025:

Dr. Bonham started the discussion by highlighting visitor expenditures.

Dr. Bonham stated that if the Council was to raise the visitor spending forecast, visitor arrival forecast, CPI forecast, or construction forecast it would be close to his model forecast for FY2025 of 6.7%.

Mr. Kawafuchi asked Dr. Bonham if the strong visitor count to date is expected to continue through the last 10 months of the fiscal year.

Dr. Bonham responded that visitor arrivals are growing through the rest of the forecast period which is partly due to the recovery on Maui along with the continued recovery path for Japanese visitors as well.

Mr. Hayashi asked Dr. Bonham with regards to his model forecast does it reflect adjustments below the line.

Dr. Bonham said yes, his model number does reflect adjustments below the line.

Ms. Ostergaard-Klem asked Dr. Bonham to clarify the construction trend for fiscal year.

Dr. Bonham stated that his FY2025 is slightly higher but as for the remaining fiscal year's his forecast is around the same as the Council's forecast.

Mr. Kawafuchi asked Mr. Hamasu if he had any comments about potential rate cuts coming up in the future.

Mr. Hamasu responded that in terms of interest rates he is optimistic due to the real estate's sensitivity to interest rates.

Mr. Kawafuchi asked Ms. Maynard if she had any comments and thoughts regarding the FY2025 discussion.

Ms. Maynard agrees with Dr. Bonham regarding Maui recovery but is still concerned that the year to date to July for visitors spending is down over 5.0% and not including adjustments for inflation.

Dr. Bonham moved to adopt 5% above the line growth rate for FY2025.

Mr. Kawafuchi asked Mr. Hayashi if he had any comments and thoughts regarding FY2025.

Mr. Hayashi agreed with Dr. Bonham regarding visitor statistics and construction, however he is concerned about the labor force on the construction side.

Dr. Bonham adjusted his motion to the Council mean forecast of 5.3%.

Ms. Maynard said that she would feel more comfortable with a lower number due to her concern with the slowdown of the economy.

Mr. Hayashi thinks that 6.0% above the line would be a reasonable number.

Mr. Kawafuchi stated that 6.0% above the line would give the Council a below the line number of 3.5%.

Mr. Hamasu agreed with Mr. Hayashi of 6.0% above the line and agreed with Ms. Maynard with being conservative due to several sectors of the economy.

Ms. Maynard motioned for 6.0% above the line growth.

Dr. Bonham withdrew his earlier motion.

Mr. Hayashi seconded the motion for 6.0% above the line growth for FY2025.

Mr. Kawafuchi asked if there was any further discussion for FY2025, there was no further discussion.

Mr. Kawafuchi clarified that the vote of 6.0% above the line or 3.5% below the line carries unanimously for FY2025.

It was moved by Ms. Maynard and seconded Mr. Hayashi that the General Fund growth rate forecast be 3.5% 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
Regina Ostergaard-Klem	Yes

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

Mr. Kawafuchi asked Dr. Bonham to start the discussion for FY2026.

Dr. Bonham stated that the 8.4% above the line for FY2026 was due to the Council's boosted visitor arrivals by over 2.5% from FY2025.

Mr. Hamasu asked Dr. Bonham what's the anticipated UHERO forecast for FY2026 and the DBEDT forecast for FY2026 for any expenditures from tourism and resident perspective.

Dr. Bonham responded that their FY2025 forecast for arrivals was 4.5% and 2.0% forecast for arrivals in FY2026.

Dr. Bonham explained that the Council has implicitly assumed that the bounce back happens in FY2025 so he believes the growth rate would have to come down from the 8.4% above the line.

Mr. Kawafuchi asked Dr. Bonham if he had a number for above the line.

Ms. Maynard suggested 6.0% above the line.

Mr. Lee stated that if the bounce back is happening over two periods the model makes sense that FY2025 and FY2026 could be 6.0% above the line and starts to drop to a normal inflation rate in the out years from FY2027 thru FY2031.

Mr. Lee moved for 6.0% for FY2026 above the line growth for FY2026.

Ms. Maynard seconded the motion for 6.0% above the line growth for FY2026.

Mr. Kawafuchi asked if there was any further discussion for FY2026, there was no further discussion.

Mr. Kawafuchi stated that the vote of 6.0% above the line or 2.2% below the line carries unanimously for FY2026.

It was moved by Mr. Lee and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 2.2% for FY2026. 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
Regina Ostergaard-Klem	Yes

DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE FORECAST FOR FY2027 THROUGH FY2031:

Dr. Bonham suggested starting FY2027 at a higher above the line forecast compared to the Councils current forecast of 4.0%.

Ms. Maynard was comfortable with a gradual rate of 5.0%, 4.5%, 4.0%, 3.5%, and 3.5%.

Mr. Lee felt comfortable with those numbers also.

Ms. Ostergaard-Klem also felt comfortable with those numbers.

Dr. Bonham motioned for above the line rates of 5.0% for FY2027, 4.5% for FY2028, 4.0% for FY2029, 3.5% for FY2030, and 3.5% for FY2031.

Ms. Maynard seconded the motion for above the line rates of 5.0% for FY2027, 4.5% for FY2028, 4.0% for FY2029, 3.5% for FY2030, and 3.5% for FY2031.

Mr. Kawafuchi asked if there was any further discussion for FY2027 thru FY2031, there was no further discussion.

Mr. Kawafuchi stated that the above the line rates of 5.0% for FY2027, 4.5% for FY2028, 4.0% for FY2029, 3.5% for FY2030, and 3.5% for FY2031 vote carries unanimously with below the line rates of 3.5% for FY2027, 3.1% for FY2028, 3.1% for FY2029, 1.9% for FY2030 and 3.1% for FY2031.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 3.5% for FY2027, 3.1% for FY2028, 3.1% for FY2029, 1.9% for

FY2030, and 3.1% for FY2031. 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
Regina Ostergaard-Klem	Yes

REPORT BY THE DEPARTMENT OF BUDGET & FINANCE ON OTHER REVENUES BY MR. GREGG HIROHATA-GOTO:

Mr. Gregg Hirohata-Goto 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 May 29th meeting. He provided a written report summary of significant changes in revenues from use of money and property, transfer of GET and TAT to mass transit special fund, the unemployment compensation tax, charges for current services, and non-revenue receipts.

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
Regina Ostergaard-Klem	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Wednesday, October 30, 2024, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 4:20 p.m.