COUNCIL ON REVENUES

<u>General Fund Meeting Minutes</u>
<u>Thursday, September 4, 2025</u>

Virtual Meeting
Meeting was held virtually and video recorded.

Thursday, September 4, 2025
2:00 p.m.

<u>PRESENT:</u>

Council Members:
Kurt Kawafuchi, (Chair), Kristi Maynard (Vice-Chair), Carl Bonham, Scott Hayashi, Michael Hamasu, Regina Ostergaard-Klem, Marjorie Bennett

Staff Members:
Department of Taxation: Director Gary Suganuma, Deputy Director Kristen Sakamoto, Baybars Karacaovali, Yvonne Chow, Shi Fu, Sisi Zhang, and Roderick Tuliao
Department of Budget and Finance (B&F): Gregg Hirohata-Goto

<u>CALL TO ORDER</u>:

The Chair called the meeting to order at 2:01 p.m. A quorum was present.

<u>COMMUNICATIONS TO THE COUNCIL AND PUBLIC COMMENT</u>:

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 comments.

<u>APPROVED MINUTES OF THE MEETING OF JULY 31, 2025:</u>

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

<u>It was moved by Ms. Bennett and seconded by Mr. Hayashi that the minutes of the July 31st meeting be accepted. The Chair called for the vote, and the motion passed with the following votes</u>:

Kurt Kawafuchi	**Abstain**
Kristi Maynard	**Yes**
Marjorie Bennett	**Yes**

Carl Bonham	**Abstain**
Michael Hamasu	**Yes**
Scott W. Hayashi	**Yes**
Regina Ostergaard-Klem	**Yes**

REVIEW OF REVENUES BY DR. BAYBARS KARACAOVALI, ACTING TAX RESEARCH & PLANNING OFFICER:

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

1. General Excise & Use Tax Collections
2. Major Tax-Related Measures Passed by the 2024 Legislature and Enacted into Law
    a. Act 46, SLH 2024 – Individual Income Tax Cut.
    b. Act 47, SLH 2024 - GET Exemption
3. Individual Income Tax Collections
4. Transient Accommodations Tax Collections
5. Transient Accommodations Tax Liability by Tax District
6. Transient Accommodations Tax Liability Composition by Tax District
7. Corporate Income Tax Collections
8. General Fund
9. Estimates of General Fund Tax Revenue from the Meeting of May 21, 2025: FY2025 to FY2031
10. Major Tax-Related Measures Passed by the 2025 Legislature and Enacted into Law
    a. Act 58, SLH 2025 – Pass-Through Entity (PTE) Tax Add-Back
    b. Act 96, SLH 2025 – Transient Accommodations Tax Increase and Imposition on Cruise Ships
11. Summary Table: Estimates of General Fund Tax Revenues: FY2026 to FY2032
12. Estimates of General Fund Tax Revenue Before and After Adjustments for Changes in Tax Laws: FY2026 to FY2032

[PRESENTATION AVAILABLE ON COR WEBSITE]

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEAR 2026:

Mr. Kawafuchi asked Dr. Bonham to start off the discussion for fiscal year (FY) 2026.

Dr. Bonham started by sharing a few comments regarding Table 3 (Council's Mean Forecast).

Dr. Bonham stated that he believed the Council's inputs were somewhat high, as illustrated in Chart 1 on page 8 of the Council's workbook. He added that the U.S. economy was weakening quickly and the University of Hawaiʻi Economic Research Organization (UHERO) was forecasting low single-digit declines in visitor spending and arrivals.

Dr. Bonham said that he would be inclined to have a lower forecast in both FY2026 and FY2027, however the Council's current forecast for out years looked reasonable.

Dr. Ostergaard-Klem asked Dr. Bonham if he could share his inflation forecast with the Council.

Dr. Bonham responded with a forecast of 3% for FY2026 and 4% for FY2027.

Mr. Kawafuchi asked Dr. Bonham what his forecast for the current fiscal year was.

Dr. Bonham stated that UHERO's below-the-line forecast for the full fiscal year of 2026 was -3.7%.

Mr. Kawafuchi asked the Council if there were any other comments or concerns regarding FY2026.

Ms. Maynard expressed her concerns regarding visitor count, tariffs, and housing.

Ms. Bennett also provided comments regarding housing.

Mr. Kawafuchi asked Dr. Bonham if he had a proposed number for the Council for FY 2026.

Dr. Bonham indicated that he thought the input mean forecast of -4.7% from the model, as presented in Table 6A of the Council's workbook, was reasonable for FY2026.

Dr. Bonham then made a motion proposing a -4.7% growth rate for FY2026.

Ms. Maynard seconded the motion to adopt a -4.7% growth rate for FY2026.

Mr. Kawafuchi asked the Council if there was any further discussion for FY2026.

There was no further discussion and a vote was taken.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the General Fund growth rate forecast be -4.7% below the line 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**
Regina Ostergaard-Klem	**Yes**
Michael Hamasu	**Yes**
Marjorie Bennett	**Yes**

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

Mr. Kawafuchi asked if anyone from the Council would like to lead off the discussion for FY2027.

Ms. Maynard started by stating that there should be some positive movement in the out years given that we would not have to worry about the one-time bump to estate tax collections.

Dr. Bonham referenced both his above the line forecast of 2.3% and the Council mean above-the-line-forecast of 4.1%, which in his opinion made him look a bit more pessimistic than the other Council members for FY2027.

Ms. Maynard asked Dr. Bonham if he would be comfortable with a 2.0% growth rate for FY2027.

Dr. Bonham said that 2.0% would seem reasonable.

Dr. Ostergaard-Klem asked Dr. Bonham what his numbers were for visitors' expenditures and arrivals.

Dr. Bonham responded that in FY2027 for his model, it was real income growth that was dragging down the tax revenue forecast which he stated was a big component in their model and that it entered separately from the inflation number.

Ms. Maynard made a motion to adopt a 2.0% below-the-line growth rate for FY2027.

Dr. Bonham seconded the motion for a 2.0% below-the-line growth rate for FY2027.

Mr. Kawafuchi asked the Council if there was any further discussion for FY2027.

There was no further discussion and a vote was taken.

It was moved by Ms. Maynard and seconded by Dr. Bonham that the General Fund revenue growth rate forecast be set at 2.0% below the line for FY2027. 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**
Regina Ostergaard-Klem	**Yes**
Michael Hamasu	**Yes**
Marjorie Bennett	**Yes**

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FY2028 THROUGH FY2032:

Mr. Kawafuchi asked if anyone from the Council wanted to start off the discussion.

Dr. Bonham started the discussion by comparing above-the-line figures in Table 6AA, which shows the current model forecast, with Table 5B, which shows the Council's previous forecast from the last meeting.

Dr. Bonham indicated that based on the above-the-line forecast in those two tables somewhere between a 3.0% to 3.5% above-the-line forecast seemed sensible to him. However, he was more inclined towards a 3.0% growth rate figure considering a lower inflation expectation in the out years.

Ms. Maynard commented that it would bring the forecast down to around 2.0% below the line for the out years and she was OK with that.

Mr. Hamasu asked the Council if there was an expectation for any type of bounceback with the upcoming presidential election in 2028.

Dr. Bonham thought the bounceback was supposed to be in FY2027, but regardless, he was looking at FY2028 to FY2032 as part of the long-run trend.

Dr. Bonham then suggested the Council to adopt an above-the-line forecast and let the Tax Department do the calculations to figure out what it would imply below the line. He added that this was not an uncommon practice for the Council historically based on his observation as a long-standing member.

Dr. Bonham motioned for a 3.5% above-the-line forecast for FY2028 through FY2032.

Ms. Bennett seconded the motion for a 3.5% above-the line forecast for FY2028 through FY2032.

Mr. Kawafuchi asked the Council if there were any further comments or discussions.

The Council agreed with the approach, and a vote was taken.

It was moved by Dr. Bonham and seconded by Ms. Bennett that the General Fund revenue growth rate forecast be set at 3.5% above the line for FY2028 through FY2032. 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**
Regina Ostergaard-Klem	**Yes**
Michael Hamasu	**Yes**
Marjorie Bennett	**Yes**

REPORT BY THE DEPARTMENT OF BUDGET & FINANCE ON NON-TAX AND SPECIAL TAX REVENUE PROJECTIONS PRESENTED BY MR. GREGG HIROHATA-GOTO:

Mr. Gregg Hirohata-Goto provided the Council with a Department of Budget & Finance (B&F) report of revised projections for general fund non-tax revenues, non-general-fund tax and non-tax revenues since the May 21st meeting. In his presentation, Mr. Hirohata-Goto highlighted the significant changes regarding Revenues from Use of Money and Property, Non-Revenue Receipts, Transfer of General Excise Tax, and Charges for Current Services.

It was moved by Mr. Hayashi and seconded by Dr. Ostergaard-Klem to adopt the Department of 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**
Regina Ostergaard-Klem	**Yes**
Michael Hamasu	**Yes**
Marjorie Bennett	**Yes**

NEXT MEETING:

The Council tentatively agreed to meet on Thursday, October 30, 2025, at 2 p.m. for the Total Personal Income forecast.

ADJOURNMENT:

The meeting adjourned at 3:46 p.m.