

COUNCIL ON REVENUES

Meeting Minutes, Thursday, November 1, 2018 (2pm)

No. 1 Capitol District Building
250 S. Hotel Street
Office on Aging Conference Room
Fourth Floor, Room 410
Honolulu, HI 96813

Thursday, November 1, 2018
2:00 p.m.

PRESENT:

Council Members:

Marilyn M. Niwao (Vice-Chair), Carl S. Bonham, Christopher Grandy,
Jack P. Suyderhoud and Kristi Maynard

Staff Members:

Department of Taxation (the Department): Seth Colby, Baybars Karacaovali and
J. Guitguiten

Department of Budget and Finance (B&F): Terri Ohta, Donovan Chun and
Gregg Hirohata-Goto

Others: Julie Yang, House Finance
Riley Fujisaki, House Finance
Randy Hiyoto, House Finance
Linda Chu Takayama, Director of Taxation
Damien Elefante, Deputy Director of Taxation

Absent: Kurt Kawafuchi (Chair), COR Member

CALL TO ORDER:

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

COMMUNICATIONS TO THE COUNCIL AND PUBLIC COMMENT:

Vice-Chair Niwao asked if there was any communication to the Council on Revenues (the Council). There was none.

APPROVED MINUTES OF THE MEETING OF SEPTEMBER 6, 2018:

Vice-Chair Niwao called for a motion to approve the minutes. Ms. Maynard moved to approve the minutes. Dr. Grandy seconded.

It was moved by Ms. Maynard and seconded by Dr. Grandy that the minutes of the September 6th meeting be accepted. The Vice-Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Absent
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Christopher Grandy	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes

TOTAL PERSONAL INCOME FORECAST FOR CY 2018:

Next, Vice-Chair Niwao asked Dr. Colby if he could start off with any comments regarding the total personal income forecast. Dr. Colby said generally he doesn't have as much to say in these meetings but wanted to highlight the current forecast at 3.5% and last year's forecast was 3.7%. Vice-Chair Niwao said that it appears we're coming in lower than the prior years.

The Council Members briefly discussed the revised income data and income growth (real/nominal). They also discussed the 2% inflation rate. They mentioned that the first half of the year was weak at 1.6%. Other data shows rents falling for most of every neighborhood on Oahu for more than 1 year.

Vice-Chair Niwao asked if that would be the case because people are moving out of Hawaii and there's more supply of rental property. Dr. Bonham said we are building units and lost population last year (more units and fewer people) rents should be at least flat if not down. We've had outmigration for Oahu for about 3 or 4 years.

The Members further discussed population outflow in 2016 and 2017 on Oahu—losing about 2,000 to 3,000 military personnel including thousands of their dependents. Also mentioned was the construction industry on Maui and some slowdown of cash flow and the build-up of receivables; the visitor arrivals are still up close to 6% on Oahu year-to date; and, real visitor spending numbers are close to 6%, in the high single digits.

Dr. Grandy said arrivals in the last 12-months sum at 6.8% but the year-over-year rate has slowed down to 3.6% for August. Dr. Bonham said the mini-tourism boom that's happened started in Summer of 2017 and really ramped-up in the Fall with the new flights to Kona. He said the year-over-year comparison is difficult as we go forward and the scheduled airline lift is still strong.

Ms. Maynard provided the Council with September's data from DBEDT (Department of Business, Economic Development and Tourism). She said that the percent increase is at 3.5% this year, over September of last year for visitor arrivals by air.

Vice-Chair Niwao said she wasn't sure what the effect was for the Big Island and the current strike situation and whether that might have an impact on tourism.

Dr. Bonham said the strike is not showing up in the data and it's not a big enough share of the market yet. He said he thought that we would have to have a much wider strike than what we're experiencing right now, to be able to say that's what's going on.

Vice-Chair Niwao thought there're multiple variables that are affecting the economy. She said not only tourism and construction but also the other industries on the Big Island: agriculture and coffee, flowers and orchids that were destroyed by the lava from Kilauea.

Dr. Bonham said he would argue what's impacted job growth is the 2% unemployment. He said it's pretty hard to hire people who aren't there. Ms. Maynard agreed that it's hard to find people. Dr. Bonham said he thought that would be a much bigger factor near-term. He said the 2% may overstate how tight the labor market is.

Dr. Suyderhoud said that limits the growth rate if we had more ample supply of labor he thought you could argue for higher growth rate but not for the underlying economy. He said he thought the 2% indicates the labor market is really tight and companies can't expand as fast as they would like to because they can't find people to help them do that.

Dr. Bonham moved 3.3% for CY 2018 and Ms. Maynard seconded. Vice-Chair Niwao asked if there was any discussion. The Vice-Chair called for the vote. It was unanimous.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the Total Personal Income forecast be 3.3% for CY 2018. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Absent
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Christopher Grandy	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes

TOTAL PERSONAL INCOME FORECAST FOR CY 2019:

Next, the Council discussed the total personal income forecast for CY 2019. Dr. Colby said the current forecast for CY 2019 is 3.5%. Ms. Maynard said it seems a bit high.

Dr. Bonham moved 3.3% for CY 2019. Dr. Suyderhoud seconded it. Vice-Chair Niwao asked if there was any further discussion.

Vice-Chair Niwao said if there's no further discussion she would like to call for the vote for CY 2019 at 3.3%. The vote was unanimous.

It was moved by Dr. Bonham and seconded by Dr. Suyderhoud that the Total Personal Income forecast be 3.3% for CY 2019. The Vice-Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Absent
Marilyn Niwao	Yes
Carl S. Bonham	Yes
Christopher Grandy	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Wednesday, January 9, 2019 at 2 p.m. However, the date and time will be re-confirmed by email. The Council staff will attempt to secure the DLIR Conference Rooms 310-313.

ADJOURNMENT:

The meeting adjourned at 2:31 p.m.