

COUNCIL ON REVENUES

General Fund Meeting Minutes Tuesday, March 7, 2023

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

Tuesday, March 7, 2023
2:00 p.m.

PRESENT:

Council Members:

Kurt Kawafuchi, (Chair), Marilyn Niwao (Vice-Chair), Carl Bonham,
Jack Suyderhoud, Kristi Maynard, Scott Hayashi, and Wendell Lee

Staff Members:

Department of Taxation: Director Gary Suganuma, Deputy Kristen Sakamoto,
Seth Colby, Yvonne Chow, Baybars Karacaovali, Dongliang Wu, 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 5, 2023:

Chair Kawafuchi called for a motion to approve the minutes. Dr. Bonham moved to approve the minutes. Ms. Maynard seconded.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the minutes of the January 5th meeting be accepted. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl Bonham	Yes
Jack P. Suyderhoud	Yes

Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

REVIEW OF REVENUES AND CONSTITUTIONAL TAX REFUND BY DR. SETH COLBY, TAX RESEARCH & PLANNING OFFICER:

Dr. Colby gave a briefing on the revenue impacts of the Constitutional Refund, stating that the Constitutional Refund has dispersed about \$311 million to date with the bulk of dispersals occurring in September and October.

Dr. Colby highlighted that General Excise Tax (GET) revenue is up 13.2% along with the Transient Accommodations Tax (TAT) revenues which is up 24.4%.

Dr. Colby explained the following charts that were shared to the Council:

1. Monthly General Fund collections.
2. Monthly GET Revenues
3. Declared Estimated Taxes
4. IIT Refund (Monthly)
5. Current Council on Revenues Forecast
6. Mean Forecast with and without Constitutional Refund
7. FY 2022 General Fund Tax Revenues: Forecast vs. Actual
8. Impact of Economic Parameters for FY 2023

Mr. Kawafuchi asked Dr. Colby what the State would have to average for the last four months of the year to hit the current Council's estimate of 5.5%.

Dr. Bonham responded that the revenue collection would have to be a little under 12% to reach the current Council's estimate of 5.5%

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

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEAR 2023:

Dr. Bonham started off the discussion by referencing his model one forecast of 8.6% growth for FY 2023.

Dr. Suyderhoud asked the Council their thoughts about inflation with regards to their forecast.

Dr. Bonham responded with inflation numbers of 5.0% for FY2023 and 2.3% for FY2024.

Dr. Suyderhoud then stated that if the Council assumes 5.5% growth for the rest of the fiscal year the Council will end up with a number of 3.1% growth for FY2023.

Dr. Suyderhoud also added that if the Council assumes 5.5% growth for all the months except for April and assume that April is equal to the prior year the growth would be 2.2%

Dr. Bonham moved for 3.0% growth rate for FY2023.

Dr. Suyderhoud seconded the 3.0% growth rate for FY2023.

Mr. Kawafuchi asked the Council if there was any further discussion regarding the forecast for FY2023.

Ms. Maynard stated that she thinks it would be really hard for the State revenues to beat the previous record high in April of 1.4 billion.

Ms. Maynard suggested that she would be more inclined toward a lower number of about 2.5% growth rate for FY2023.

Dr. Bonham amended his motion of 3.0% growth rate to 2.0% growth rate for FY2023.

Dr. Suyderhoud seconded the amended growth rate of 2.0% for FY2023.

Mr. Kawafuchi asked the Council if there were any more comments regarding the forecast for FY2023.

Ms. Niwao thinks that the 2.0% growth rate is reasonable.

It was moved by Dr. Bonham and seconded by Dr. Suyderhoud that the General Fund growth rate forecast be 2.0% FY2023. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl Bonham	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

DISCUSSION AND VOTE FOR THE GENERAL FUND TAX REVENUE FORECAST FOR FY2024:

Dr. Bonham started the discussion by suggesting 4.0% growth rate for FY 2024 to the Council.

Ms. Niwao asked if FY2024 was the period that recession is expected.

Dr. Bonham responded that most forecast as of right now see a very mild recession that would start at the second half of the year.

Ms. Niwao shared her thoughts regarding the strength of tourism growth given the effect of strong U.S. foreign currency exchange rates compared to other countries. This would mean that the high cost of a Hawaii vacation (such as the costs of a Maui vacation) may factor into the decision of where to vacation when there are competing international tourist destinations that offer lower costs. Ms. Niwao also pointed out several factors that may negatively affect tourism growth on Oahu.

Dr. Bonham explained that the 4.0% growth for FY2024 includes a 1.0% drop in visitor arrivals and 2.0% drop in visitor spending.

Dr. Suyderhoud said that after looking over the four models that the Council provides inputs for it was surprising to him that for FY2024 the individual forecasts do not range very much which is an indication that the Council is pretty uniform in their thinking.

Dr. Bonham shared the Council's current forecast of 5.5% growth rate.

Dr. Bonham said that if the Council assumes 4.0% across the board it would be taking out 300 million from FY2024 and about 500 million the following year.

Ms. Niwao expressed her concerns regarding the slowing of the economy and the effect of high inflation and high interest rates impacting people's spending habits. In addition, Ms. Niwao mentioned the build up of military geopolitical ~~circumstances~~ concerns that may be affecting the economy.

Dr. Suyderhoud noted that if the Council adopts the 4.0% growth rate the Council will be building a slowdown for the next fiscal year.

Dr. Bonham said that he would be comfortable with a 4.0% growth rate for FY2024.

Dr. Suyderhoud made a motion of 4.0% growth rate for FY2024.

Mr. Lee seconded the 4.0% growth rate for FY2024

It was moved by Dr. Suyderhoud and seconded by Mr. Lee that the General Fund revenue growth rate forecast be 4.0% for FY2024. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl Bonham	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE FORECAST FOR FY2025 THROUGH FY2029:

Mr. Kawafuchi asked if there was any discussion needed for the growth forecast of FY2025 to FY2029.

Dr. Suyderhoud moved that the Council maintain the 3.5% growth rate for FY2025 through FY2029.

Ms. Maynard seconded the motion of 3.5% growth rate for FY2025 through FY2029.

It was moved by Dr. Suyderhoud and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 3.5% for FY2025 through FY2029. The Chair called for the vote, and the motion passed with the following votes:

Kurt Kawafuchi	Yes
Marilyn Niwao	Yes
Carl Bonham	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

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

Mr. Donovan Chun provided a report of revised projections for General Fund non-tax revenues, non-General Fund tax, and non-tax revenues since the January 5th meeting. He provided a written report summary of significant changes on other than special fund non-tax revenues and under non-revenue receipts.

Dr. Suyderhoud asked Mr. Chun to explain the dropped charges for Current Services in FY2023 and FY2024.

Mr. Chun responded that it could be an accumulation of elements in the report rather than a single change that would warrant the dropped charges.

Mr. Chun would have to look into it and get back to the Council.

Mr. Kawafuchi asked Mr. Chun to email the Council with their findings.

Mr. Chun agreed and will email the Council with response to Dr. Suyderhoud's question.

It was moved by Dr. Suyderhoud 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
Marilyn Niwao	Yes
Carl Bonham	Yes
Jack P. Suyderhoud	Yes
Kristi L. Maynard	Yes
Scott W. Hayashi	Yes
Wendell K. Lee	Yes

NEXT MEETING:

The Council tentatively agreed to meet on Monday, May 15, 2023, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:47 p.m.