

COUNCIL ON REVENUES

General Fund Meeting Minutes Monday, May 15, 2023

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

Monday, May 15, 2023
2:00 p.m.

PRESENT:

Council Members:

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

Staff Members:

Department of Taxation: Director Gary Sukanuma, 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 2:00 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 7, 2023:

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

It was moved by Ms. Maynard and seconded by Ms. Niwao that the minutes of the March 7th 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**

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

Dr. Colby gave a briefing on the revenue impacts of the Constitutional Refund and reminded the Council that a lot of the general fund forecasts have been impacted by the Constitutional refund.

Dr. Colby stated that overall year to date general fund revenues is down one percent which is mainly driven by Individual Income Tax.

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

1. April 2023 vs April 2022
2. Monthly General Fund Collections
3. Monthly GET Revenues
4. Current Council on Revenues Forecast
5. Mean Forecast with and without Constitutional Refund

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

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

Mr. Kawafuchi asked Dr. Suyderhoud to start the discussion.

Dr. Suyderhoud shared his concern regarding the shift up of general fund revenues.

Dr. Bonham added that when he looks at the components of income tax collections what stands out to him is how big the refunds are in this fiscal year.

Dr. Suyderhoud moved the discussion along by stating that if the Council assume 0% growth for May and June compared May and June of 2022 it would be a growth rate of about -1.0%.

Dr. Bonham said he would be comfortable with a growth rate of -1.0% for FY2023.

Dr. Bonham moved for -1.0% growth rate for FY2023.

Ms. Niwao seconded the -1.0% growth rate for FY2023.

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

Ms. Maynard said that -1.0% growth rate for FY2023 ok.

Mr. Hayashi agrees with Dr. Bonham, but stated his only concern is whether June is overstated and if an adjustment needed.

It was moved by Dr. Bonham and seconded by Ms. Niwao that the General Fund growth rate forecast be -1.0% 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 |

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

Dr. Suyderhoud stated that the Council is on record for 4.0% growth rate for FY 2024.

Mr. Kawafuchi asked both Dr. Suyderhoud and Dr. Bonham if there would be a recession in FY 2024.

Dr. Bonham responded that there is still a wildest view for a mild recession for some time late this year or early next year.

Dr. Bonham suggests that their Hawaii forecast won't experience a recession but will get through this with a market slowdown and a small uptick in unemployment and sort of a weakening of both wage and job growth.

Ms. Niwao expressed her concerns involving lower population growth and demographic changes in Hawaii, where more and more Hawaii baby boomers are retiring, and more incoming residents appear to be retirees. She has observed that retirees pay less taxes since retirement income is largely nontaxable, and she has also observed retirees spending less money and being more cost-conscious than younger working generations.

Dr. Bonham stated that for FY 2024 the workers who are replacing retirees appear to be making the same amount as persons who have since retired.

Mr. Kawafuchi asked the Council what kind of growth rate is expected for FY 2024.

Dr. Bonham moved 4.0% growth rate for FY 2024.

Ms. Maynard asked Dr. Bonham why he thinks there will be a 4.0% growth considering that the economy may go into a recession in FY 2024.

Dr. Bonham said that he thinks it is due to the fast growth of nominal economy Hawaii for FY 2024.

Dr. Suyderhoud asked Dr. Bonham how much of that growth is inflation.

Dr. Bonham responded that for FY 2024 real income forecast is 2.25% and CPI forecast is 1.75%.

Ms. Maynard stated that she would be ok with the 4.0% growth rate if it includes the impact of the refund.

Ms. Maynard seconded 4.0% growth rate for FY 2024.

It was moved by Dr. Bonham and seconded by Ms. Maynard 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 |

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.

Ms. Maynard said that she would make a motion to keep the 3.5% growth rate for FY2025 to FY2029.

Ms. Niwao expressed her concerns with the recent bank failures (such as Silicon Valley Bank and Signature Bank) and posed the question whether the banking turmoil will continue to spread, affecting future economic growth.

Dr. Bonham stated that he thinks that there will be more bank failures, but he does not feel like there's a strong case for concern.

Dr. Suyderhoud stated that 3.5% growth rate for FY2025 to FY 2029 is a reasonable prognostication.

Dr. Bonham said that he would second Ms. Maynard's motion of 3.5% growth rate for FY2025 to FY2029.

Mr. Kawafuchi asked the Council if there was any further discussion regarding the 3.5% growth rate for FY2025 to FY2029.

It was moved by Ms. Maynard and seconded by Dr. Bonham 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 |

DISCUSSION OF USING ABOVE-THE-LINE FORECASTS VERSUS BELOW-THE-LINE FORECASTS AND CONSIDERATION OF TAX LAW CHANGES IN FORECASTING GENERAL FUND TAX REVENUES

Dr. Colby gave a brief presentation on the Pro's and Con's of Below the Line versus Above the Line forecasting.

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

The Council indicated its preference to continue with the below-the-line forecasts and to continue with its consideration of tax law changes in forecasting general fund revenues.

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 March 7th meeting. He provided a written report summary of significant changes on Revenues from Use of Money and Property.

It was moved by Dr. Suyderhoud and seconded by Mr. Hayashi 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 |
| Jack P. Suyderhoud | Yes |
| Kristi L. Maynard | Yes |
| Scott W. Hayashi | Yes |
| Carl Bonham | (Lost internet connection) |

NEXT MEETING:

The Council tentatively agreed to meet on Tuesday, August 1, 2023, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:42 p.m.