

COUNCIL ON REVENUES

General Fund Meeting Minutes Thursday, September 7, 2023

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

Thursday, September 7, 2023
2:00 p.m.

PRESENT:

Council Members:

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

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): Gregg Hirohata-Goto

CALL TO ORDER:

The Chair called the meeting to order at 2:00 p.m. A quorum was present.

OVERVIEW OF LAHAINA RECOVERY BY GOVERNOR JOSH GREEN, M.D.

Agenda item five was moved up to the first order of business to give ample time to Governor Green to address the situation with the Maui fires and the plans for the recovery.

Governor Green addressed the State's plans for recovery:

1. Housing for people who have been displaced from homes.
2. Secure funds obtained through groups like FEMA (Federal Emergency Management Agency) and the Army Corps of Engineers.
3. Additional solutions for small businesses
4. Opening West Maui to tourism on October 8th with the exception of Lahaina

ELECTION OF COUNCIL CHAIR AND VICE CHAIR

Mr. Kawafuchi nominated Ms. Maynard for vice-chair.
Ms. Maynard nominated Mr. Kawafuchi for another term as Chair.
Mr. Hayashi seconded the nomination for Ms. Maynard as vice-chair.

Mr. Lee seconded the nomination for Mr. Kawafuchi as Chair.

It was moved by Ms. Maynard and seconded by Mr. Hayashi that Mr. Kawafuchi be elected as Chair for the Council on Revenues. 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

It was moved by Mr. Kawafuchi and seconded by Mr. Lee that Ms. Maynard be elected as Vice-Chair for the Council on Revenues. 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

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, 2023:

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

It was moved by Ms. Maynard and seconded by Dr. Bonham 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

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

Dr. Colby asked the Council if it was ok with having agenda line items six and seven done simultaneously.

Dr. Colby began with legislation that has been passed and will have impacts on revenues:

1. Act 62, SLH 2023:
 - a. Amends the cigarette tax and tobacco tax. Beginning January 1, 2024, imposes a tax of 70% of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer. The Act increases the wholesaler and dealer license fee from \$2.50 to \$250. It also increases the retail tobacco permit fee from \$20 to \$50. The Act became effective on July 1, 2023.
2. Act 163, SLH 2023
 - a. Amends the household and dependent care services credit by increasing the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals. Act 163 amends the EITC by increasing the amount of the credit from 20% to 40% of the federal EITC allowed. The Act also amends the refundable food/excise tax credit by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027.

Dr. Colby then discussed the current state of revenues, providing the following information to the Council:

1. Preliminary Comparative Statement of State General Fund Tax Revenues for July 2023.

2. Preliminary Comparative Collections for August
3. Issues Impacting FY2023 Collection
 - a. Lower base in FY2022 from Constitutional Refund
 - b. Lower Estimated Tax Payments will reset in January 2024
 - c. Economic Impacts from Maui Wild Fires
 - d. Economic slowdown at National and State level
 - e. Tax Law Changes
4. Current Council on Revenues Forecast
5. Model 1 – Estimates of General Fund Tax Revenue: FY2024 to FY2030
6. Table 8: Impact of Economic Parameters for FY2023 of Model 1
[\[PRESENTATION AVAILABLE ON COR WEBSITE\]](#)

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

Dr. Colby simultaneously gave a review of legislation along with agenda line item six review of revenues presentation.

DISCUSSION AND VOTE ON THE GENERAL FUND TAX REVENUE FORECAST FOR FISCAL YEAR 2024:

Mr. Kawafuchi asked Dr. Bonham to start the discussion for FY2024.

Dr. Bonham said that model one provided by TRP is reasonable and is close to the Council's models.

Dr. Bonham gave his view on the impact of the Maui disasters with regard to the Council's forecast.

Dr. Bonham then provided the Council's inputs from table three which showed the average off all the forecasts.

Dr. Bonham thinks that the Council's average for GDP was a few points low from his viewpoint.

Dr. Bonham also thinks that visitor expenditures and visitor arrivals are not low enough.

Dr. Bonham finished up by sharing his thoughts on the construction growth rate and the impact it will have on the following years.

Mr. Hayashi asked if the construction numbers represent the actual construction in Hawaii or if the numbers are across the construction industry.

Dr. Colby responded that the number is the State's construction spending.

Dr. Bonham moved to adopt 1.3% growth rate from model one for FY2024.

Ms. Maynard seconded the motion for 1.3% growth rate for FY2024.

It was moved by Dr. Bonham and seconded by Ms. Maynard that the General Fund growth rate forecast be 1.3% FY2024. 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

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

Mr. Kawafuchi asked the Council if any of the members would like to start the discussion for FY2025.

Mr. Lee suggested following the model of 5.2% growth rate for FY2025.

Dr. Bonham seconded 5.2% growth rate for FY2025.

Ms. Maynard agreed with the 5.2% for FY2025 and suggested to reduce the growth rate come down s for FY2026 through FY2030.

Mr. Lee moved for 5.2% growth rate for FY2025.

Dr. Bonham seconded 5.2% growth rate for FY2025.

Mr. Kawafuchi asked if there was any further discussion.

There was no further discussion.

It was moved by Mr. Lee and seconded by Dr. Bonham that the General Fund revenue growth rate forecast be 5.2% for 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

DISCUSSION AND VOTE FOR ON THE GENERAL FUND TAX REVENUE FORECAST FOR FY2026 THROUGH FY2030:

Mr. Lee motioned for 3.5% growth rate for FY2026 through FY2030.

Ms. Maynard seconded the motion for 3.5% growth rate for FY2026 through FY2030.

It was moved by Mr. Lee and seconded by Ms. Maynard that the General Fund revenue growth rate forecast be 3.5% for FY2026 through FY2030. 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

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

Mr. Gregg Hirohata-Goto provided a report of revised projections for General Fund non-tax revenues, non-General Fund tax, and non-tax revenues since the May 15th meeting. He provided a written report summary of significant changes primarily attributed to reimbursements of Health premiums, variances in of note in transfer of GET, unemployment insurance tax collection, and actual amounts of refunds rebates, and prescription drug plans.

It was moved by Mr. Hayashi and seconded by Mr. Lee 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
Regina Ostergaard-Klem	Abstain
Mike Hamasu	Abstain

NEXT MEETING:

The Council tentatively agreed to meet on Wednesday, November 1, 2023, at 2 p.m.

ADJOURNMENT:

The meeting adjourned at 3:59 p.m.