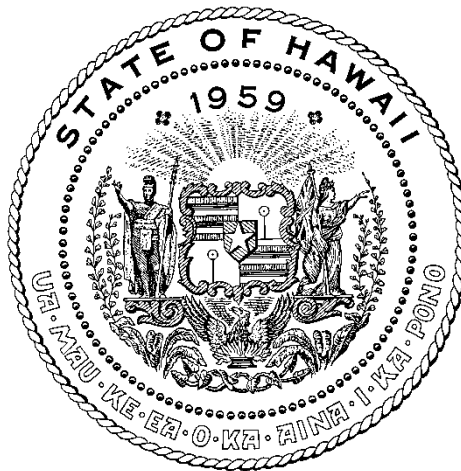


# STATE OF HAWAII



## **THE MULTI-YEAR PROGRAM and FINANCIAL PLAN and EXECUTIVE BUDGET For the Period 2025-2031 (Budget Period 2025-2027)**

Submitted to the Thirty-Third State Legislature  
December 16, 2024

EXECUTIVE CHAMBERS  
State Capitol  
Honolulu, Hawai'i 96813

**GOVERNOR'S MESSAGE TO THE  
33rd STATE LEGISLATURE OF HAWAII'  
MEETING IN THE REGULAR SESSION OF 2025**

In compliance with Article VII, Section 8, of the Hawai'i State Constitution, I hereby submit to the State Legislature the Executive Budget for Fiscal Biennium (FB) 2025-27 and the Program and Financial Plan for the period 2025-31.

**OVERVIEW**

In Hawai'i, we believe in taking care of family. From keiki to kupuna, we are one 'ohana. Our Administration has taken this philosophy to heart, recognizing the strength in supporting Hawai'i's families and the synergy of working together towards a common goal.

We are committed to continuing our ongoing recovery efforts from the Maui wildfires, the worst natural disaster in the State's history, including providing continued mental health support, temporary housing and a new elementary school. This tragedy continues to serve as a powerful reminder of the importance of community, compassion, and solidarity.

We believe that with the Legislature, our community partners, other sectors of government, and the private sector, we can improve the lives of Hawai'i's people. We have made significant progress with the support of the Legislature, with the enactment of these historic tax measures earlier this year:

- Act 46, SLH 2024, Relating to Income Tax, the Green Affordability Plan II (GAP II) incrementally increases standard deduction amounts and widens income tax

brackets; creating \$5.6 billion in savings for State taxpayers through 2031; and

- Act 47, SLH 2024, Relating to the General Excise and Use Tax (GET), exempts the GET from medical and dental services provided by healthcare providers to patients who receive Medicaid, Medicare, or TRICARE benefits, which provides crucial relief for providers in our State. This legislation will save taxpayers more than \$150 million in 2027 and 2028.

These tax relief measures will provide much-needed direct relief for working families in Hawai'i.

We believe the Executive Budget for FB 2025-27 is fiscally prudent given the Council on Revenues' (COR) September 5, 2024 general fund tax revenue growth rate forecast of 3.5% in FY 25 and 2.2% in FY 26. A recent \$350 million dollar estate tax collection has been received and is not currently reflected in the COR forecast. On January 8, the COR will meet to revise the forecast for 2025 and it is expected that this one-time collection will be included which could nearly double the forecast for FY 25 and flatten projections in future years.

Affordable housing continues to be one of our biggest challenges. Housing is the single largest expense for Hawai'i's families, accounting for 38% of household spending. Our housing challenges will have a ripple effect on families' other concerns such as healthcare, homelessness, and workforce shortages.

Supporting affordable housing development is a top priority for our Administration. There are five data-driven priorities to build a more affordable future for local residents:

1. Expanding affordable housing inventory.
2. Maintaining existing affordable units.
3. Offering more housing support to local residents.
4. Coordinating and modernizing Hawai'i's housing development process.
5. Communicating the urgency of the housing crisis.

We worked expeditiously to initiate our emergency housing plan by bringing together housing leaders from State and county agencies, housing experts, and community stakeholders. This collaborative effort is critical to expediting the availability of affordable housing across the State by alleviating the obstacles to development. This team had substantial input during the development of the Emergency Proclamation Relating to Affordable Housing and, to ensure that this effort continues, I issued the tenth Emergency Proclamation for Affordable Housing on December 6, 2024.

We have requested over \$500 million for FY 2025-27 to support housing and infrastructure, including: \$75 million in each fiscal year for Rental Housing Revolving Fund (RHRF) Tier II funding for development of housing for those earning 60% to 100% of the area median income, \$12.102 million in FY 26 and \$17.898 million in FY 27 for Phase 2 of the 99-Year Leasehold Program on O'ahu and \$62 million for University of Hawai'i (UH) West O'ahu infrastructure development for University Village near the rail service. In addition, \$68 million has been requested in FY 26 for the Hawai'i Public Housing Authority's Ka Lei Momi redevelopment projects to transform Mayor Wright Homes from a 70-year-old housing community with 364 low-income units, into a 2,448 unit mixed-use complex for the district's working-class families.

Our combined efforts in past legislative sessions are now paying dividends. Affordable housing measures spearheaded by the Legislature, the counties, our various State housing agencies and the private sector are fueling a mini boom in workforce and low-income housing developments.

Right now, my housing team is tracking more than 46,000 affordable housing units that will be built by State and county government agencies and private developers over the next decade. About 10,000 of those units will likely be completed by 2026. Without affordable housing, homelessness solutions remain limited. Our Administration and the statewide Office on Homelessness and Housing Solutions are focused on providing permanent solutions to homelessness by creating and protecting affordable spaces within our communities for Hawai'i's people to be housed and healed.

Kauhale tiny home development with service provider support and medical resources is the most impactful way to directly contribute solutions to homelessness and the costly impacts of homelessness to our healthcare industry.

Kauhale are communal living spaces, with modest housing units for individual households, and shared space for cooking and eating, recreation, growing food, or engaging in industrious activities together. Support services foster communal ownership, roles, and responsibilities among residents, in time reducing dependence on formal programs and dramatically brings down the recurring impact that high-need individuals may have on our health providers.

The FY 2025-27 Executive Budget requests \$50 million each year for kauhale development and to continue to provide these critical services. In addition, \$10.8 million in FY 26 and FY 27 has been requested to restore general fund support for family assessment centers, the Housing First Program, the Rapid Re-housing Program, and homeless outreach and civil legal services.

There are 20 completed kauhale village projects statewide and in 2025, we hope to bring that number to 30. By the end of 2026 there will be about 600 kauhale units to get people off the streets and provide them with essential wraparound services.

Education is the key to the success of our keiki and we have seen growing success in the last three years for summer learning hub programs that provide enrichment for students. For FY 26 and FY 27, nearly \$21 million has been requested to sustain and increase participation in the Department of Education's (DOE) summer learning programs.

The electricity costs to run our public school facilities have increased significantly. To keep up with rising energy costs and instability, we have requested \$15 million in FY 26 and FY 27 for electricity costs to cover the ongoing shortfall.

The U.S. Department of Defense Public Schools on Military Installations (PSMI) grant program will provide an 80% match to address various facility needs for schools that serve students from military families. The FB 2025-27 Executive Budget requests \$60 million in general obligation (G.O.) bond funds in FY 26 and \$30 million in G.O. bond funds in FY 27 to leverage State funding.

Early childhood education has been proven to improve outcomes for children throughout their lives. There are currently 92 public pre-kindergarten (Pre-K) classrooms in 74 schools.

To level the playing field for our keiki, we must expand the universal pre-kindergarten program. We are building on the addition of 223.00 full-time equivalent (FTE) positions and over \$16 million added during the last biennium, including over \$38 million a year for Preschool Open Doors programs; and we have requested 58.00 additional FTE permanent positions

and \$5.028 million in FY 26 and 108.00 additional FTE permanent positions and \$8.236 million in FY 27 to provide more pre-kindergarten classrooms each year.

Health care will always be a high priority of our Administration. One of our ongoing challenges is to keep healthcare providers in Hawai'i. The Hawai'i Physician Workforce Assessment Project's December 2023 Report estimated that there is an unmet need of 757 FTE physicians statewide.

To improve recruitment and retention in high-shortage areas, the Healthcare Education Loan Repayment Program (HELP) was launched earlier this year. HELP is a State-funded initiative to provide \$30 million for educational debt repayment to more than 900 healthcare professionals licensed or certified to practice in and provide care to patients in Hawai'i.

HELP prioritizes primary care and behavioral health specialists and those practicing in rural areas, including the neighbor islands. In exchange for a two-year commitment of full-time or half-time service, qualifying healthcare professionals would be eligible for loan repayments from \$12,500 to \$50,000. To ensure health care providers stay in our State and are attracted to our State, we have requested \$15 million for FY 26 and FY 27 to continue HELP.

We are investing a lot to expand medical services in rural and sparsely populated areas. The FB 2025-27 Executive Budget also includes \$25 million for the Keaau Outpatient Center for the construction of Urgent Care, Primary Care, Specialty Care, and Imaging Centers and a Behavioral Center to address the need for these services in the area. In addition, over \$44 million has been requested each year for improvements to Hawai'i Health System Corporation (HHSC) facilities, including the renovation of Kona Community Hospital's Emergency Department.

Mental health care is a high priority for our Administration. The FB 2025-27 Executive Budget includes requests for the Hawai'i State Hospital (HSH) for \$13 million for FY 26 and FY 27 for locum tenens contracts for required medical and psychiatry services and \$8.65 million for FY 26 to cover the funding shortfall for overtime and other payroll costs. A request for \$5.5 million for FY 26 for contracts for psychiatric beds for inpatient adult mental health services has also been included.

The State's Med-QUEST program provides Medicaid health insurance benefits to those who are most in need. The FB 2025-27 Executive Budget requests increases for Medicaid health care payments of \$15.771 million in general funds and \$35.272 million in federal funds in FY 26 and FY 27 for increased Death Benefits Program payments and in-home Home- and Community-Based Services payments; and to restore funding for increased private professional services payments, increased applied behavioral analysis services payments, and Child Wellness Incentive Pilot Program payments.

Our Administration will continue to support the Native Hawaiian community to address ongoing disparities. We are working closely with the Department of Hawaiian Home Lands (DHHL) to ensure that homestead lands are provided to the thousands of native Hawaiian beneficiaries more expeditiously. In addition, the Executive Budget supports the repair and maintenance of infrastructure within DHHL's subdivisions by including \$20 million in both FY 26 and FY 27.

With the historic passage of Act 279, SLH 2022, which appropriated \$600 million to reduce DHHL's decades-long wait list, the department is engaged in an aggressive strategy to deliver more than 7,500 homes and lots to its Native Hawaiian beneficiaries over the next five years.

We have a deep appreciation for Hawai'i's unique natural environment and as we are all caretakers of these islands, have a responsibility to preserve it for our keiki. To provide more resources for conservation efforts and to broaden the responsibility in preserving Hawai'i's natural beauty to include visitors to our State, we will be proposing ways to generate revenue for restoration and mitigation projects.

Biosecurity plays a significant role in protecting the natural resources of our islands while ensuring the sustainability of our agricultural industry. The complex challenges of invasive species require the State's continued investment; thus, we have requested 44.00 FTE permanent positions and \$12.735 million in FY 26 and FY 27 for biosecurity programs for the Department of Agriculture.

In July 2024, I convened Hawai'i's Climate Advisory Team (CAT). The CAT is charged with developing policy recommendations to minimize the impacts of future climate-related natural disasters and to speed recovery from the physical and financial damage they cause. Our Administration is committed to developing strong policies that prioritize the well-being and security of residents, while effectively managing State resources for a sustainable and resilient future.

The State of Hawai'i is a pioneer among states for our 100% renewable energy portfolio standard, with a commitment to eliminate our dependency on fossil fuels by 2045. The federal Inflation Reduction Act, which introduced and expanded tax credits for clean energy technologies, has new provisions that allow states to receive a payment ("elective pay" as known as "direct pay") equal to the full value of tax credits for qualifying clean energy projects. To optimize the direct pay option, budget requests for State agencies proposing to transition to clean energy will be coordinated by the Hawai'i State Energy Office and submitted in a proposal to the Legislature.

### *Update on 2023 Maui Wildfires*

On August 8, 2023, 102 lives were lost, and thousands were indelibly changed after a series of wildfires broke out on the island of Maui. The deadly wildfires scorched thousands of acres, causing widespread damage in the town of Lahaina, located in West Maui, while destroying over 2,000 residential homes and displacing over 8,000 residents.

In the period following the wildfires, Maui's and the State's economies were negatively impacted, in large part due to the decrease in tourism. Nonessential travel to affected areas in West Maui was initially restricted in the immediate period after the wildfires but, by November 1, 2023, all of West Maui except for the disaster area in Lahaina was reopened to the public, including visitors. As of July 2024, visitor arrivals to Maui had recovered to approximately 80% of pre-wildfire levels, with average per-person visitor spending in Maui up 3% for the month of July 2024 compared to July 2023.

In the approximately 16 months since the fires, State, federal, and local agencies, including the Federal Emergency Management Agency and the County of Maui, have coordinated the initial phases of the recovery, planning, and rebuilding process, including provision of financial and other assistance and support to displaced residents, debris clearing in residential and commercial areas, restoration of infrastructure, and establishment of temporary and long-term housing and educational facilities.

Currently, the State and its federal, county and private-sector partners plan to build more than 1,200 temporary housing units for wildfire survivors in central and west Maui. That is in addition to providing direct rental assistance aid for more than 5,600 displaced residents.

In August 2024, we made a significant commitment to pay \$807.5 million as the State's share of part of a global agreement of over \$4 billion for Lahaina wildfire victims. This is in addition to the State's \$65 million contribution to the One 'Ohana Fund made last year. The expedited agreement will help to provide additional resources to those affected by the wildfires as quickly as possible.

As Maui continues to rebuild, we must ensure that the necessary funding continues to be available. The FB 2025-27 Executive Budget includes the following requests to support the Maui's recovery and statewide wildfire prevention and disaster response:

#### *Operating:*

- \$200,000,000 in revolving funds in FY 26 and FY 27 for State Risk Management and Insurance Administration for insurance proceeds to be used for Maui recovery projects.
- \$3,000,000 in FY 26 for West Maui fire prevention at Ukumehame wetland and stream.
- \$4,000,000 in FY 26 for fire pre-suppression, readiness, response, and post-fire restoration and rehabilitation activities for the Department of Land and Natural Resources (DLNR).
- \$15,000,000 in FY 26 for statewide fire mitigation for State highways.
- Adds 22.00 permanent positions and \$1,425,696 in FY 26 and FY 27 for fire and emergency response activities, statewide.
- 15.75 FTE temporary positions and \$1,406,296 in general funds and 4.25 FTE temporary positions and \$487,770 in other federal funds for both fiscal years to adequately staff

and restructure Hawai'i Emergency Management Agency (HI-EMA) to perform current and relevant emergency management functions.

- \$230,000 for FY 26 to modernize and consolidate equipment for distributed antenna systems in preparation for effective disaster response.

*Capital Improvement Program (CIP):*

- Adds \$131,000,000 in FY 26 for Lahaina Elementary School, Maui.
- \$1,750,000 in FY 26 for Pohakea Fire Prevention and Suppression Infrastructure, Maui.
- \$13,000,000 in FY 26 for maintenance dredging and reconstruction of the outer marginal wharf at Lahaina Small Boat Harbor, Maui.

**THE ECONOMY**

Tourism on Maui has understandably slowed but, in other markets around the State, moderate growth of the tourism industry continues. Year-to-date visitor spending through October 2024 is down by 1.0% when compared to the same period in 2023, however, O'ahu, Hawai'i, and Kaua'i have all shown positive growth.

Visitor arrivals have been nearly flat this calendar year through October, but there has been a growing return of Japanese visitors. Arrivals of Japanese visitors have been nearly 30% more for the ten-month period compared to the same period of 2023, despite unfavorable economic conditions. There is room for growth, but other international visitors are also expected to fill in the gaps.

Hawai'i's tourism industry continues to be an important source of revenue for the State and local businesses. Our Administration is actively pursuing paths toward a more sustainable tourism industry with less social and environmental impact and more demonstrable benefits to the people of Hawai'i.

Beyond visitor promotion, we are aggressively moving to rebuild private sector relationships and increase the inflow of foreign direct investment from Japan into the State, which we anticipate will grow in the coming years and benefit Hawai'i's housing, transportation, and energy sectors.

The construction industry remains strong in Hawai'i, with many large public and private sector projects underway or in the pipeline. Private building permit values increased 18.6% during the first nine months of calendar year 2024 compared to the same period in 2023, while government contracts have averaged \$1.3 billion per year since 2009.

Job growth in the construction industry is strong and Hawai'i is focused on supporting the trades through extensive educational programs provided through UH's community college system (CCS). Housing prices remain high due to strong demand and tight supply, though the cost for residents is somewhat offset by relatively low property tax rates for resident homeowners.

With the sixth lowest unemployment rate in the country, Hawai'i's labor market continues to demonstrate strength. Through 2024, the State's unemployment rate has improved from 3.1% for January to 2.9% (preliminary) for October, 1.2% less than the national unemployment rate for October.

## REVENUE PROJECTIONS

At its September 5, 2024 meeting, the Council on Revenues (COR) lowered its FY 25 general fund tax revenue growth rate forecast from 4.8% to 3.5% and reduced its forecasts from 4.5% to 2.2% for FY 26; 4.0% to 3.5% for FY 27; 3.5% to 3.1% for FY 28 and FY 29; and 3.5% to 1.9% for FY 30. The COR also added its projection for FY 31 of 3.1%.

The COR expects a temporary boost in general fund tax revenues in FY 25 and FY 26 that will be followed by a return to the State's long-term average rate of economic growth due to the recovery of tourism on Maui, a gradual return of Japanese visitors, a strong construction outlook, and the stimulative effects from the anticipated cuts to the Federal Reserve's benchmark rate, make for a more favorable economic outlook for the State in the coming years.

The COR downward revisions reflect the impact of Act 46, SLH 2024 (Act 46), Relating to Income Tax, and Act 47, SLH 2024 (Act 47), Relating to the GET. While the impact on the State's projected revenues due to Act 46 and Act 47 will be significant, this shift in State resources is one of the most direct ways to provide relief from Hawai'i's high cost of living. This landmark tax relief legislation will lessen the tax burden on Hawai'i's families.

For the first five months of FY 25, actual preliminary general fund tax revenues have increased by 13.5%. While 13.5% is markedly above the COR's projection of 3.5% for FY 25, it includes a one-time \$350 million inheritance tax payment which, if factored out, would result in a growth rate of 4.1%. GET collections and TAT collections – which are the most reflective of the State's economic activity – have respectively increased by 0.8% and decreased by 2.9% compared to the same period of FY 24. Pursuant to Act 46, lower individual

income tax (IIT) withholding rates will take effect in January 2025 and will decrease IIT withholding collections starting in January 2025.

## BUDGET AND FISCAL CONSIDERATIONS

Our Administration is committed to being fiscally responsible as we tackle the State's toughest challenges. To ensure the State's fiscal health, the development of the Executive Budget requires that we understand the State's current fiscal position and the potential fiscal challenges, to the extent possible, through the upcoming biennium and beyond.

Administrative Directive No. 22-01, State Reserve Policy, requires that for each year of the six-year planning period, the State shall endeavor to attain a minimum fund balance as a percentage of the preceding year's general fund revenues as follows:

1. 5% unassigned general fund carryover balance;
2. 10% Emergency and Budget Reserve Fund (EBRF); and
3. 25% combined State reserves or 20% combined State reserves, if the EBRF fund balance objective has been met.

The State's EBRF is currently at its highest level, which is necessary to meet the objectives of the State Reserve Policy and ensure that the State is in a good fiscal position during an economic downturn.

Other funding concerns include the State's unfunded liabilities in the Employees' Retirement System (ERS) and Employer-Union Health Benefits Trust Fund, which continue to pose significant demands on the State's resources, and potential delays or decreases in federal awards.



There are significant risk factors that could have appreciable negative revenue impact, including the national economy and the possibility of a recession, the unrest in Eastern Europe and the Middle East, tensions with China, risks in the banking sector, continued labor shortages, supply chain disruptions, sustained travel hesitancy from Asian markets, and the reduction in federal stimulus spending. These challenges could result in significant general fund impact and reinforce the need to be fiscally responsible with our expenditures to ensure the State's fiscal stability in the next biennium and beyond.

The results of the presidential and congressional election this past November may result in changes that could create instability in the federal budget process and the timely distribution of federal funds to states for critical programs. Funding for significant federal programs could also be dramatically reduced or eliminated, which may require that the State provide funding for the continuation of federal programs that are considered vital.

### **Constitutional and Statutory Requirements**

The FB 2025-27 Executive Biennium Budget includes the operating and CIP requirements of the Executive Branch as required by the Hawai'i State Constitution. In preparing the Biennium Budget, the Executive Branch is bound by constitutional and statutory requirements, which include, but are not limited to, the following:

- Article VII, Section 8, of the Hawai'i State Constitution provides that “[w]ithin such time prior to the opening of each regular session in an odd-numbered year as may be provided by law, the governor shall submit to the legislature a budget in a form provided by law setting forth a complete plan of proposed expenditures of the executive branch. . .”

- Section 37-69, HRS, requires that “[t]he governor prepare a [S]tate six-year program and financial plan encompassing all state programs, . . .” The program and financial plan shall contain financial summaries displaying the State's financial condition including “[t]he changes proposed to the existing tax and nontax rates, sources or structure, and the estimated increases or reductions in revenues, the estimated cumulative increases or reductions, and the estimated fund balance or deficit in each of the next six fiscal years as a result of such proposed changes. Proposals for changes in the existing tax and nontax rates, sources or structure shall be made in every case where the proposed, total state expenditures exceed the total resources anticipated from existing tax and nontax sources at existing rates.”
- Section 37-71(b)(4), HRS, prescribes that the information provided in the budget be formatted such that “[p]rogram costs shall include all costs, including research and development, operating and capital, regardless of the means of financing. . .”
- Section 37-71(c)(3), HRS, requires a summary listing of all capital improvement projects by program, at the lowest level of the program structure, which shows for each project, by investment cost elements, the amount of new appropriations and authorizations proposed. Under Section 37-62, Definitions, HRS, “cost elements” means the major subdivisions of a cost category. The category “capital investment” includes plan, land acquisition, design, construction, and equipment and furnishing.

### **Elimination of Long-term Vacancies**

The Administration recognizes that maintaining unfilled vacant positions can be a significant drain on public resources. As priorities, mandates, and strategic objectives of departments change over the years, some vacant positions may no longer

serve the departments as intended. By removing the position counts for long-term (i.e., over four years) vacancies, departments could redirect the funds to more pressing needs.

As part of the budget preparation process, departments were instructed to delete position counts for long-term vacancies while the funding could be reprogrammed. The reallocation of resources will help to ensure that taxpayer money is being used effectively in order to better serve the public and that the budget more transparently reflects current program needs.

### **Budget Transparency**

To increase budget transparency, departments were instructed to review their FY 25 operating budget details for items that did not align with anticipated expenditures and could be addressed immediately. In addition, they were to review their positions to ensure compliance with Section 37-74(f), HRS, which prohibits funds from being expended to fill a permanent or temporary position for the lowest level of a program if the filling of that position causes the position ceiling for that level of the program to be exceeded.

As such, the FB 2025-27 Executive Budget includes requests for:

1. “Conversion of unbudgeted positions” to authorize unbudgeted positions through trade-off and transfer of funding and position counts (if necessary, permanent or temporary position counts have been requested).
2. Trade-off and transfer adjustments to fully fund underfunded or unfunded positions if the positions were deemed critical.
3. Trade-off and transfer adjustments to correct negative amounts or realign the budget to expenditures.

4. Base budget adjustments to delete underfunded or unfunded positions.

### **BUDGET PROVISION AND FINANCIAL PLAN CONSIDERATIONS**

Through separate legislation, the Administration will be requesting cost-neutral emergency appropriations for the third and fourth quarters of FY 25 that are necessary due to the lack of the special provision in Act 164, SLH 2023, as amended by Act 230, SLH 2024, that would have allowed the Governor to authorize the transfer of operating funds between appropriations of the same fund, within an expending agency, for operating purposes.

It is not possible to consistently predict the service level requirements for certain programs. Therefore, this special provision would provide the flexibility necessary to continue to provide services within the current operating budget, without additional funding. As such, we will be requesting that the provision be restored in the FB 2025-27 Executive Budget bill.

We will also be requesting the restoration of other provisions that would allow the Administration to meet unforeseen operating and CIP requirements and to respond quickly to emergency situations within existing budget appropriations.

The General Fund Financial Plan includes the revenue impact of other potential emergency appropriations, specific appropriations, and revenue adjustments that will be proposed by the Administration but not those to be proposed by the Legislature.

## THE EXECUTIVE BUDGET REQUEST FOR FB 2025-27

### The Operating Budget

The development of the Executive Budget for FB 2025-27 began with an operating base budget amount based on each department's FY 25 appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024, minus non-recurring costs and plus collective bargaining (CB) (except for federal funds, other federal funds, private funds, county funds, and American Rescue Plan funds).

These base budget amounts have been adjusted to reflect the Administration's key priorities which include affordable housing development, expanded services for mental health and homelessness solutions and the 2023 Wildfire recovery efforts.

Additional adjustments include requests for:

- Trade-offs and transfers and conversion of unbudgeted positions to align the budget with current operational requirements.
  - Select fixed costs and entitlements.
  - Federal or other federal fund ceiling adjustments based on anticipated grant awards.
  - Elimination of long-term vacant position counts with redirection of funding to current needs.
  - Second-year funding for recurring costs.
  - Full-year funding for new partially funded positions.
  - Public health and safety or immediate requirements of court orders or federal mandates.
- Sustainable and reasonable or fringe benefit adjustment requests for special, revolving, and trust funded programs.

For FB 2025-27, the budget includes \$20.547 billion in FY 26 and \$20.460 billion in FY 27 from all means of financing (MOF) for operating costs. This represents net increases of \$2.663 billion (15%) and \$2.550 billion (14%), respectively, compared to the appropriate operating budget bases (FY 25 appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024, as adjusted for FY 26 and FY 27). Of these amounts, the request for general funds is \$10.472 billion in FY 26 and \$10.542 billion in FY 27, resulting in increases of \$619.9 million (6%) and \$664.1 million (7%), respectively.

Additional information on funding distribution by MOF and department may be found in the sections that follow.

Major general fund adjustments for fixed costs and entitlements include:

- Increases debt service payments by \$23,488,005 in FY 26 and \$63,738,821 in FY 27 for DOE, UH, and other State CIP projects.
- Increases retirement benefits payments by \$41,816,343 in FY 26 and \$76,464,835 in FY 27 for DOE, UH, and other State programs.
- Increases health premium payments by \$57,817,650 in FY 26 and \$74,495,300 in FY 27 for DOE, UH, and other State programs.
- Increases Medicaid health care payments by \$15,770,660 in general funds and \$35,272,121 in federal funds in FY 26 and FY 27 for increased Death Benefits Program payments and in-home Home and Community-Based Services payments; and restore funding for increased

private professional services payments, increased applied behavioral analysis services payments, and Child Wellness Incentive Pilot Program payments.

The Executive Budget for FB 2025-27 includes the following significant requests by program area (requests are for general funds unless otherwise noted):

#### Economic Development

- Adds 44.00 permanent positions and \$12,735,015 in FY 26 and FY 27 for biosecurity programs and positions for the Department of Agriculture.
- Transfers out a total of 4.00 permanent positions and \$12,130,256 in both FY 26 and FY 27 from Sports and Signature Events, Regenerative Tourism Development, and Workforce Development into Destination Stewardship and Community to consolidate programs within the Hawai'i Tourism Authority. Also reduces \$332,715 in FY 26 and FY 27 for Administration and Governance and adds \$2,773,676 in FY 26 and FY 27 for Branding and Marketing.
- Adds \$11,000,000 in special funds in FY 26 for the Hawai'i Convention Center to reimburse the Department of Budget and Finance.
- Adds a total of \$2,000,000 in both FY 26 and FY 27 for grant programs under the Hawai'i Technology Development Corporation.

#### Employment

- Adds \$2,974,112 for FY 26 and \$2,984,583 for FY 27 to fund information technology (IT) consultant services, software licenses, and Amazon web services environment

and storage for the Disability Compensation Division Modernization Project.

#### Transportation

- Adds \$23,812,501 in special funds in FY 26 and FY 27 for additional security equipment for Daniel K. Inouye International Airport at Honolulu, Kahului Airport, Hilo International Airport, Ellison Onizuka Kona International Airport at Keahole, and Lihue Airport.
- Adds \$70,950,000 in special funds in FY 26 and \$65,375,000 in FY 27 for consultant services to support special maintenance projects for the Airports Division.
- Adds \$30,000,000 in special funds in FY 26 and \$35,000,000 in FY 27 for consultant services and special maintenance projects for State harbors.
- Adds \$19,017,069 in special funds in FY 26 to buyout the energy savings lease for State harbors.
- Adds \$50,000,000 in special funds in FY 26 and \$45,000,000 in FY 27 for special maintenance projects for State highways.

#### Environmental Protection

- Adds \$15,000,000 in FY 26 for State highways fire mitigation.
- Adds \$5,000,000 in FY 26 and FY 27 for forest and resource management improvements.
- Adds \$5,000,000 in special funds in FY 26 and FY 27 to establish an expenditure ceiling for the Dam and Appurtenance Improvement or Removal Grant Program Special Fund.

- Adds \$4,750,000 in FY 26 and FY 27 for the Hawai'i Invasive Species Council and Hawai'i Ant Lab.
- Adds \$4,000,000 in FY 26 for fire pre-suppression, readiness, response, and post-fire restoration and rehabilitation activities.
- Adds \$3,000,000 in FY 26 for West Maui fire prevention: Ukumehame wetland and stream, Maui.

### Health

- Adds \$67,315,400 for both fiscal years to restore general fund support for operating subsidies for HHSC Regions.
- Adds \$48,500,000 in FY 26 and \$48,400,000 in FY 27 in special funds to restore the special fund ceiling for HHSC O'ahu Region.
- Adds \$10,100,000 for FY 26 and \$21,400,000 for FY 27 to increase Medicaid 1915(c) Home and Community-Based Services Waiver for Individuals with Intellectual and Developmental Disabilities.
- Adds \$15,000,000 for FY 26 and FY 27 to continue the funding for HELP.
- Adds \$13,000,000 for FY 26 and FY 27 for locum tenens contracts to provide required medical and psychiatry services to patients at HSH.
- Adds \$9,476,352 in FY 26 and \$9,441,861 in FY 27 to support the UH Cancer Center.
- Adds \$8,000,000 in FY 26 and \$14,000,000 in FY 27 to restore general fund support for an operating subsidy for HHSC O'ahu Region.
- Adds \$10,000,000 in FY 26 and FY 27 for contracted skilled nursing services provided to over 500 students at 200 public schools statewide.
- Adds \$12,000,000 in FY 26 and \$6,000,000 in FY 27 for an operating subsidy for the Maui Health System, a Kaiser Foundation Hospitals LLC.
- Adds \$8,650,000 for FY 26 to cover overtime and other payroll costs shortfall at HSH.
- Adds \$3,716,836 for FY 26 and \$3,947,578 for FY 27 to meet collective bargaining requirements for service providers contracted for 911 emergency ground ambulance and aeromedical ambulance service for the County of Maui.
- Adds 2.00 permanent FTE positions for FY 26 and FY 27, \$5,093,932 for FY 26 and \$187,864 for FY 27 to support and facilitate cesspool conversions in the Wastewater Branch and maintain the efforts initiated under Act 153, SLH 2022.
- Adds \$4,571,100 for FY 26 for moving and lease funds for the relocation of various Department of Health staff from Kinau Hale Building and Office of Health Status Monitoring.
- Adds 7.00 FTE Advanced Practice Registered Nurse (RN) and 8.00 FTE RN positions and \$1,453,492 for FY 26 and \$2,619,374 for FY 27 for the provision of Certified Community Behavioral Health Clinic services at Maui, Hawai'i, Kaua'i, and O'ahu Community Mental Health Centers.
- Adds 11.00 permanent positions and \$1,243,212 in FY 26 and \$1,468,488 in FY 27 to expand UH's nursing programs.

- Transfers 6.00 FTE permanent positions and \$470,000 for FY 26 and FY 27 from the Office of the Governor to the Department of Human Resources Development for the Office of Wellness and Resilience.

### Social Services

- Adds \$260,000,000 in special funds in FY 26 and FY 27 to establish a permanent special fund ceiling for the Hospital Sustainability Special Fund and the Nursing Facility Sustainability Special Fund.
- Increases Medicaid health care payments by \$15,770,660 in general funds and \$35,272,121 in federal funds in FY 26 and FY 27 for increased Death Benefits Program payments and in-home Home and Community-Based Services payments; and restores funding for increased private professional services payments, increased applied behavioral analysis services payments, and Child Wellness Incentive Pilot Program payments.

### *Homelessness*

- Adds \$50,000,000 in FY 26 and FY 27 to restore and increase general fund support for the development, maintenance, and operation of Kauhale.
- Adds \$10,800,000 in FY 26 and FY 27 to restore general fund support for family assessment centers, the Housing First Program, the Rapid Re-housing Program, and homeless outreach and civil legal services.
- Adds \$5,000,000 in FY 26 for stored property and debris removal services for the Highways Division.

### Education

#### *Public School System*

- Adds \$20,990,000 in FY 26 and FY 27 to sustain the summer learning programs.
- Adds \$15,000,000 in FY 26 and FY 27 for increased electricity costs.
- Adds 58.00 permanent positions and \$5,027,927 in FY 26 and 108.00 permanent positions and \$8,236,302 in FY 27 for public Pre-K expansion.
- Adds \$5,000,000 in FY 26 and FY 27 to enhance school security provided by the Department of Law Enforcement (DLE) through their SaferWatch Program.
- Adds \$3,925,000 in FY 26 and \$3,625,000 in FY 27 for workforce readiness learning opportunities for students.

#### *Charter Schools*

- Adds \$9,935,491 in FY 26 and \$9,872,364 in FY 27 for Charter Schools to equalize the per-pupil funding based on the DOE's FB 2025-27 operating budget and projected enrollment.

#### *Public Library System*

- Adds \$1,200,000 in FY 26 and FY 27 for additional security services for various libraries.

#### *University System*

- Adds 4.00 permanent positions and \$4,020,000 in FY 26 and FY 27 to fund UH Athletics programs.

### *Youth Challenge*

- Adds \$1,997,384 in FY 26 and FY 27 to fund federal payroll fringe benefits for Youth Challenge Academy (YCA) employees.

### Public Safety

- Reduces \$5,185,607 for FY 26 and FY 27 from the Department of Accounting and General Services to transfer funding for security guard services, security camera monitoring, and Sheriff positions at the State Capitol back to DLE; and adds \$6,905,607 for FY 26 and FY 27 to DLE for the transfer and to add additional funds for a new contract.
- Adds \$5,000,000 in inter-departmental transfer funds for FY 26 and FY 27 for the safety program for public schools.
- Adds \$4,138,726 in inter-departmental transfer funds for FY 26 and FY 27 for fringe benefit costs for the Sheriffs providing law enforcement presence at the courts, statewide.
- Adds \$4,000,000 for FY 26 and FY 27 to increase reentry services to connect offenders with community-based services.
- Adds 2.00 FTE permanent positions and \$2,212,000 in FY 26 and FY 27 for Fire Marshal.
- Adds 15.75 FTE temporary positions and \$1,406,296 in general funds and 4.25 FTE temporary positions and \$487,770 in other federal funds for both fiscal years to adequately staff and restructure HI-EMA to meet current and relevant emergency management functions.

### Government-Wide Support

- Adds \$200,000,000 in revolving funds in FY 26 and FY 27 for State Risk Management and Insurance Administration for the expenditure of insurance proceeds for Maui wildfires recovery.
- Adds \$10,000,000 in FY 26 and FY 27 for additional litigation expenses for the Department of the Attorney General.
- Adds \$12,000,000 in special funds for FY 26 for payments to the King Kalakaua Building's management association for repairs and renovations by the Department of Commerce and Consumer Affairs.
- Adds \$5,491,297 for FY 26 and \$6,515,078 for FY 27 for workers' compensation claims.
- Adds \$6,844,527 in other funds in FY 26 and \$2,823,706 in other funds in FY 27 to migrate the ERS pension administration system to a new version.
- Adds \$5,000,000 in FY 26 and FY 27 for accounting systems development and maintenance for Hawai'i Information Portal enterprise expenditures.
- Adds \$3,020,000 in various MOFs in FY 26 and FY 27 for Deputy Attorney General salary adjustments.
- Adds 6.00 permanent positions and \$2,920,548 in FY 26 and \$2,923,596 in FY 27 for accounting systems development and maintenance for supplemental resources to support the Enterprise Financial System Project.
- Adds \$2,330,000 in FY 26 and \$3,200,000 in FY 27 for Enterprise Technology Services for Microsoft Enterprise Agreement subscription.

- Adds \$3,978,275 in FY 26 and \$125,000 in FY 27 for the Office of Elections for a voting system contract, digital voter information guide, and Electronic Registration Information Center.
- Adds \$338,150 for FY 26 and \$1,343,400 for FY 27 for consultant services to maintain Tax System Modernization projects.
- Adds \$1,653,691 in both FY 26 and FY 27 for salary increases for all Deputy Public Defender positions.

### **CIP Budget**

The FB 2025-27 Executive Budget includes requests for the following types of projects:

- Administration priorities.
- 2023 wildfires recovery.
- Major repair and maintenance for a public or educational facility.
- Completion of later phases of an ongoing CIP project.
- Public health and safety.
- Improvements in energy efficiency or conservation.
- Public infrastructure improvements.

For the CIP budget, a total of \$3.433 billion in FY 26 and \$2.471 billion in FY 27 has been requested. Of these amounts, the requests for G.O. and G.O. reimbursable bond funds total \$1.327 billion and \$601.2 million, respectively.

Additional information on funding distribution by MOF and department may be found in the sections that follow. The FB 2025-27 CIP requests support the following program areas (G.O. bond funds unless otherwise noted):

### Economic Development

- Adds \$26,000,000 in FY 26 for Royal Kunia Agricultural Park, O‘ahu.
- Adds \$6,470,000 in FY 26 for Kekaha Irrigation System Improvements, Kekaha, Kaua‘i.
- Adds \$6,070,000 in Reimbursable G.O. bond funds in FY 26 for Tropical Agricultural Tech Center Warehouse, Hawai‘i.
- Adds \$6,000,000 in FY 26 for tar deposit removal at the Halawa Animal Quarantine Station, O‘ahu.
- Adds \$5,000,000 in both FY 26 and FY 27 for Hawai‘i Convention Center Improvements, O‘ahu.
- Adds \$5,000,000 in G.O. bond funds and \$1,000 in federal funds in FY 26 for State Irrigation System Reservoir Safety Improvements, Statewide.
- Adds \$2,700,000 in FY 26 and \$5,000,000 in FY 27 for Moloka‘i Irrigation System Improvements, Moloka‘i.
- Adds \$2,000,000 in FY 26 for State Transit-Oriented Development Planning, Statewide.
- Adds \$1,250,000 in FY 26 and \$1,750,000 in FY 27 for Kahuku Agricultural Park Miscellaneous Improvements, O‘ahu.



## Transportation

- Adds \$156,677,000 (\$154,877,000 in revenue bond funds and \$1,800,000 in federal funds) in FY 26 and \$716,162,000 (\$656,162,000 in revenue bond funds and \$60,000,000 in federal funds) in FY 27 for Airfield Improvements, Statewide.
- Adds \$147,045,000 (\$137,045,000 in revenue bond funds and \$10,000,000 in federal funds) in FY 26 for Ellison Onizuka Kona International Airport, Airport Improvements, Hawai'i.
- Adds \$89,501,000 (\$89,500,000 in revenue bond funds and \$1,000 in federal funds) in FY 26 and \$56,501,000 (\$56,500,000 in revenue bond funds and \$1,000 in federal funds) in FY 27 for Airports Facility Improvements, Statewide.
- Adds \$301,000,000 in other funds in FY 26 for Rental Car Facility Improvements, Statewide.
- Adds \$25,000,000 (\$24,992,000 in special funds, \$4,000 in federal funds, and \$4,000 in private contributions) in FY 26 and \$40,000,000 (\$39,992,000 in special funds, \$4,000 in federal funds, and \$4,000 in private contributions) in FY 27 for Honolulu Harbor Improvements, O'ahu.
- Adds \$12,000 (\$4,000 in special funds, \$4,000 in federal funds, and \$4,000 in private contributions) in FY 26 and \$35,000,000 (\$34,992,000 in special funds, \$4,000 in federal funds, and \$4,000 in private contributions) in FY 27 for Kalaeloa Barbers Point Harbor Improvements, O'ahu.
- Adds \$12,000 (\$4,000 in special funds, \$4,000 in federal funds, and \$4,000 in private contributions) in FY 26 and \$50,000,000 (\$44,992,000 in special funds, \$4,000 in

federal funds, and \$4,000 in private contributions) in FY 27 for Hilo Harbor Improvements, Hawai'i.

- Adds \$477,149,000 (\$14,063,000 in special funds, \$66,686,000 in revenue bond funds, and \$396,400,000 in federal funds) in FY 26 and \$422,617,000 (\$11,920,000 in special funds; \$72,603,000 in revenue bond funds, and \$338,094,000 in federal funds) in FY 27 for Highway Structural Facilities Program, Statewide.
- Adds \$132,005,000 (\$2,540,000 in special funds, \$23,361,000 in revenue bond funds, and \$106,104,000 in federal funds) in FY 26 and \$4,514,000 (\$4,513,000 in special funds and \$1,000 in federal funds) in FY 27 for Highway System Preservation Improvements, Statewide.
- Adds \$60,933,000 (\$1,775,000 in special funds, \$26,064,000 in revenue bond funds, \$32,394,000 in federal funds, and \$700,000 in county funds) in FY 26 and \$50,500,000 (\$10,100,000 in revenue bond funds and \$40,400,000 in federal funds) in FY 27 for Highway Traffic Operational Improvements, Statewide.
- Adds \$13,000,000 in FY 26 for maintenance dredging and reconstruction of the outer marginal wharf at Lahaina Small Boat Harbor on Maui.

## Environmental Protection

- Adds \$5,000,000 in FY 26 and FY 27 for Watershed Protection and Initiatives, Statewide.
- Adds \$2,000,000 in FY 26 and FY 27 for Rockfall and Flood Mitigation, Statewide.
- Adds \$1,750,000 in FY 26 for Pohakea Fire Prevention and Suppression Infrastructure, Maui.

## Health

- Adds \$5,913,000 in G.O. bond funds and \$29,558,000 in federal funds for FY 26 and FY 27 for the Safe Drinking Water Revolving Fund, Statewide.
- Adds \$5,082,000 in G.O. bond funds and \$25,406,000 in federal funds for FY 26 and FY 27 for the Wastewater Treatment Revolving Fund for Pollution Control, Statewide.
- Adds \$3,150,000 for FY 26 and \$5,750,000 for FY 27 for HSH, Health and Safety, O'ahu.
- Adds \$5,500,000 for FY 26 for Kalaupapa Settlement, Close Landfills, and Install Synthetic Cover Layer at Municipal Solid Waste, Moloka'i.
- Adds \$3,500,000 for FY 26 for HSH, Water System Improvements, and Other Work, O'ahu.
- Adds \$3,100,000 for FY 26 for HSH, Guensberg Building, Renovations and Site Improvements, O'ahu.
- Adds \$25,500,000 in FY 26 and \$16,800,000 in FY 27 for various HHSC Regions projects, Statewide.
- Adds \$12,500,000 in FY 26 and FY 27 for Kau Hospital, Keaau Outpatient Center, Hawai'i.
- Adds \$1,339,000 in FY 26 and \$11,909,000 in FY 27 for West Hawai'i Region Kona Community Hospital - Emergency Department, Hawai'i.
- Adds \$6,000,000 in FY 26 and FY 27 for various projects for the Maui Health System, a Kaiser Foundation Hospitals LLC, Maui.

- Adds \$5,800,000 in FY 26 and \$5,000,000 in FY 27 for various projects for the Kahuku Medical Center, O'ahu.
- Adds \$5,600,000 in FY 26 and \$5,110,000 in FY 27 for various projects for the HHSC O'ahu Region, O'ahu.

## Social Services

- Adds \$35,000,000 in G.O. bonds and \$58,000,000 in other federal funds in FY 26 for third Hawai'i State Veteran's Home, Maui.
- Adds \$10,000,000 in FY 26 for IT Modernization for the Benefits Eligibility Solution System, Statewide.

## *Housing*

- Adds \$50,000,000 in both FY 26 and FY 27 for cash infusions to the RHRF.
- Adds \$75,000,000 in both FY 26 and FY 27 for cash infusions to the RHRF for Tier II affordable housing projects.
- Adds \$12,000,000 in FY 26 and \$50,000,000 in FY 27 for Iwilei-Kapalama Community Development District, O'ahu.
- Adds \$5,000,000 in FY 26 and \$45,000,000 in FY 27 for UH West Oahu Infrastructure, Phase 2, O'ahu.
- Adds \$20,000,000 in both FY 26 and FY 27 for cash infusions to the Dwelling Unit Revolving Fund.
- Adds \$12,102,000 in FY 26 and \$17,898,000 in FY 27 for 99-Year Leasehold Program, Phase 2, O'ahu.

### *Native Hawaiians*

- Adds \$20,000,000 in both FY 26 and FY 27 for repairs and maintenance to infrastructure within DHHL subdivisions, Statewide.

### Formal Education

#### *Public School System*

- Adds \$300,000,000 (\$60,000,000 in G.O. bonds and \$240,000,000 in federal funds) in FY 26 and \$150,000,000 (\$30,000,000 in G.O. bonds and \$120,000,000 in federal funds) in FY 27 for Lump Sum CIP - Federal Grants, Statewide.
- Adds \$131,000,000 in FY 26 for Lahaina Elementary School, Maui.
- Adds \$100,000,000 in FY 26 for Lump Sum CIP - Central Maui School Capacity, Maui.
- Adds \$23,000,000 in FY 26 for Lump Sum CIP - Health and Safety, Statewide.
- Adds \$20,000,000 in FY 26 for Lump Sum CIP - Deferred Maintenance Projects, Statewide.
- Adds \$20,000,000 in FY 26 for Lump Sum CIP - Compliance, Statewide.
- Adds \$20,000,000 in FY 26 for Lump Sum CIP - Project Completion, Statewide.

#### *Public Library System*

- Adds \$25,000,000 in FY 26 and FY 27 for Hawai'i State Public Library System, Health and Safety, Statewide.

- Adds \$2,000,000 in FY 26 and FY 27 for Kapaa Library, Kaua'i.

#### *University System*

- Adds \$50,000,000 in FY 26 and FY 27 for System, Renew, Improve, and Modernize, Statewide.
- Adds \$25,000,000 in FY 26 and FY 27 for UH Mānoa, Student Housing Services Improvements, O'ahu.
- Adds \$20,000,000 in FY 26 and FY 27 for CCS, Capital Renewal and Deferred Maintenance, and Minor CIP, Statewide.
- Adds \$15,000,000 in FY 26 and FY 27 for Hilo, Renew, Improve, and Modernize, Hawai'i.
- Adds \$15,000,000 in FY 26 for Honolulu Community College, 8805 Repurpose and Renovate Building Technology Renovations, Phase 2, O'ahu.

#### *Youth Challenge*

- Adds \$15,000,000 in FY 26 for YCA Buildings 1786 and 1787 Upgrades and Improvements, O'ahu.

### Culture and Recreation

- Adds \$2,650,000 in G.O. bond funds and \$500,000 in federal funds in FY 26 for State Parks Infrastructure and Park Improvements, Lump Sum, Statewide.

### Public Safety

- Adds \$30,000,000 for FY 26 for the New O'ahu Community Correctional Center Facility, O'ahu.

- Adds \$28,500,000 for FY 26 for Halawa Correctional Facility, Consolidated Healthcare Unit, O'ahu.
- Adds \$23,000,000 for FY 26 for various lump sum CIP projects to provide facility repairs, upgrades, and improvements in compliance with the Americans with Disabilities Act and building code standards.
- Adds \$20,000,000 for FY 26 for Department of Corrections and Rehabilitation (DCR) Facility-Wide Security Perimeter Fencing Repairs, Upgrades, and Related Improvements, Lump Sum CIP, Statewide.
- Adds \$10,000,000 for FY 26 for DCR 10-Year Departmental Master Plan, New Facility and Sustainable Master Plans, and Other Planning Assessments, Statewide.
- Adds \$5,000,000 for FY 26 and FY 27 for DCR Facility-Wide Repairs, Deferred Maintenance, Related Support, and Improvements, Statewide.
- Adds \$5,000,000 in FY 26 and FY 27 for Siren Maintenance and Modernization, Statewide.
- Adds \$2,500,000 in FY 26 and \$6,000,000 in FY 27 for Birkhimer Emergency Operations Center Upgrades and Improvements, O'ahu.
- Adds \$1,173,000 in G.O. bond funds and \$3,223,000 in other federal funds in FY 26 and \$7,033,000 in G.O. bond funds and \$16,277,000 in other federal funds in FY 27 for Upgrades and Improvements to Hawai'i Army National Guard Facilities, Statewide.

#### Government-Wide Support

- Adds \$35,000,000 in FY 26 for Enterprise Financial System, Statewide.
- Adds \$20,000,000 in FY 26 and FY 27 for Lump Sum Maintenance of Existing Facilities, Public Works Division, Statewide.
- Adds \$4,000,000 in FY 26 and \$2,000,000 in FY 27 for Lump Sum Health and Safety, Hawai'i Wireless Interoperability Network, Statewide.

#### **WORKING TOGETHER**


Our Administration is focused on making Hawai'i a place where every person – from keiki to kupuna – can pursue their goals and dreams. We are grateful for the opportunity to continue to serve Hawai'i's people as there is so much more to be done to improve Hawai'i's high cost of living and accelerate the availability of affordable housing, with thousands of units in the pipeline.

Our support of the people of Maui is unwavering. The State's efforts to help Maui rebuild and recover will continue. We will invest in preserving our quality of life and protecting our natural and cultural heritage for the sake of our children on Maui and around the State.

We are proud of our Administration's accomplishments but know that we could not have done it alone. We look forward to working with the Legislature, other sectors of government, and our community partners to face our State's biggest challenges.

We are one 'ohana. Together, we can make Hawai'i a place where our friends and families can live and thrive.

Mahalo,

A handwritten signature in black ink that reads "Josh Green M.D." in a cursive style.

Josh Green, M.D.  
Governor of Hawai'i

APPENDIX TO THE GOVERNOR'S MESSAGE

**A. THE EXECUTIVE BUDGET RECOMMENDATIONS**

The Operating Budget

*All Means of Financing*

For FB 2025-27, total operating budget requests from all sources of funding amount to \$20.547 billion in FY 26 and \$20.460 billion in FY 27, resulting in increases of 7.4% and 6.9%, respectively.

<u>Means of Financing</u>	<u>FY 25* Appropriation (\$million)</u>	<u>FY 26 Request (\$million)</u>	<u>FY 27 Request (\$million)</u>
General Funds	10,321.7	10,471.6	10,541.7
Special Funds	3,805.5	4,817.7	4,700.4
Federal Funds	3,446.7	3,574.0	3,555.1
Other Federal Funds	437.5	301.6	284.6
Private Contributions	0.9	0.9	0.9
County Funds	0.0	0.0	0.0
Trust Funds	428.1	429.2	429.4
Interdept. Transfers	113.6	116.1	116.6
Revolving Funds	560.1	805.8	805.5
Other Funds	<u>21.2</u>	<u>29.8</u>	<u>25.1</u>
Total	19,135.3	20,546.6**	20,459.5**
Increase over FY 25		1,411.3	1,324.2
Percentage Increase		7.4%	6.9%

\* - FY 25 appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024.

\*\* - Total differs due to rounding.

*General Fund*

Total requests for general funds amount to \$10.472 billion in FY 26 and \$10.542 billion in FY 27, which represents a increase of \$149.9 million (1.5%) in the first year and an increase of \$220.0 million (2.1%) in the second year over the FY 25 appropriation level.

It should be noted that the preceding table compares the FB 2025-27 Executive Budget Request to FY 25 operating budget appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024. However, the operating budget bases used in preparation of the budget reflect FY 25 appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024, minus non-recurring costs and plus collective bargaining (except federal funds, other federal funds, private funds, county funds and American Rescue Plan funds). Generally, the significant amounts of reductions (non-recurring costs in operating) account for the large differences between the FY 25 operating budget appropriations and the FB 2025-27 operating budget bases, which may differ for FY 26 and FY 27.

For the FB 2025-27 Executive Budget, the increases are primarily due to general fund requests for escalating non-discretionary costs (general funds for debt service, retirement benefit payments, health premium payments, and federal and general funds for Medicaid) and costs for health care; education; and programs to address homelessness.

The Capital Improvement Program Budget

For FB 2025-27, total requests for capital improvements amount to \$3.433 billion in FY 26 and \$2.471 billion in FY 27, to be funded from the following sources:

Means of Financing	FY 26 Request (\$million)	FY 27 Request (\$million)
General Funds	-	-
Special Funds	85.5	177.9
G.O. Bonds	1,321.3	601.2
G.O. Reimbursable	6.1	-
Revenue Bonds	711.2	963.3
Federal Funds	704.3	590.2
Other Federal Funds	302.7	137.8
Private Contributions*	-	-
County Funds	0.7	-
Trust Funds	-	-
Interdept. Transfers	-	-
Revolving Funds	-	-
Other Funds	<u>301.2</u>	<u>0.2</u>
Total	3,433.0	2,470.6

\* - less than \$100,000 (rounded).

**B. THE GENERAL FUND EXPENDITURE CEILING**

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9 of Article VII of the Hawai'i State Constitution and Section 37-92 of the Hawai'i Revised Statutes (HRS).

At the aggregate level that includes all branches of government, the total proposed appropriations from the general fund exceeded the FY 25 expenditure but are within the expenditure ceilings for FYs 26 and 27.

For the Executive Branch, the total proposed appropriations from the general fund (which include emergency appropriations for FY 25, the Executive Biennium Budget for FB 2025-27 and other specific appropriation measures to be submitted) are within the expenditure ceilings for FY 25, FY 26 and FY 27.

Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services (DAGS). However, the financial plan records appropriations and revenues in the fiscal year for which they were authorized.

**C. LEGISLATIVE AUTHORIZATION OF TAX REFUND OR CREDIT, DEPOSIT TO THE EMERGENCY AND BUDGET RESERVE FUND, OR PRE-PAYMENT OF CERTAIN COSTS**

Article VII, Section 6, of the Hawai'i State Constitution requires that whenever the State general fund balance at the close of each of two successive fiscal years exceed 5% of general fund revenues for each of the two fiscal years, the Legislature must: 1) provide for a tax refund or tax credit to the taxpayers of the State; or 2) make a deposit into one or more emergency funds, as provided by law; or

3) appropriate general funds for the pre-payment of either or both: a) debt service for obligation bonds issued or b) pension or other post-employment benefit (OPEB) liabilities.

FYs 23 and 24 general fund balances were greater than 5% of FYs 22 and 23 (the prior fiscal years) general fund revenues. Since two successive fiscal years' balances exceed 5% of revenues, the 2025 Legislature must provide for a tax refund or tax credit or make a deposit into one or more funds that serve as temporary supplemental sources of funding in times of emergency, economic downturn, or unforeseen reduction in revenues, or appropriate general funds for the prepayment of either or both of 1) debt service or 2) pension or OPEB liabilities.

Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by DAGS. However, the financial plan records appropriations and revenues in the fiscal year for which they were authorized.

#### **D. ACTIVATION OF REQUIRED DEPOSIT TO THE EMERGENCY AND BUDGET RESERVE FUND**

Section 328L-3, HRS, provides that whenever general fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%, the Director of Finance shall deposit 5% of the general fund balance into the EBRF. However, no such transfer shall be made whenever the balance of the EBRF is equal to or more than 10% of general fund revenues for the preceding fiscal year.

For FYs 23 and 24, general fund revenues decreased by -0.2% from FY 22 to FY 23 and increased by 4.4% from FY 23 to FY 24, not exceeding the 5% threshold. Additionally, the EBRF balance as of June 30, 2024,

represented 14.9% of FY 23 revenues, which is more than the 10% threshold. The two criteria have not been met and, thus, did not trigger activation of a required deposit to the EBRF.

Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by DAGS. However, the financial plan records appropriations and revenues in the fiscal year for which they were authorized.

#### **E. THE DEBT LIMIT**

Section 13 of Article VII of the Hawai'i State Constitution places a debt limit on general obligation bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Budget (including State guaranties) will not cause the debt limit to be exceeded at the time of each bond issuance.