



Statewide Overview and General Information

State of Hawai'i Background Information

The State was admitted into the Union on August 21, 1959, as the 50th state. It is an archipelago of eight major islands, seven of which are inhabited, plus 124 named islets, totaling 6,425 square miles in land area. Hawai'i is located in the Pacific Ocean in the Northern Hemisphere, mostly below the Tropic of Cancer, about 2,400 statute miles from San Francisco.

The State is slightly larger than the combined area of Connecticut and Rhode Island and ranks 47th of the 50 states in land area. Hawai'i is also larger in area than Delaware.

The island of Hawai'i is the largest island, with 4,028 square miles in area. The other inhabited islands, in order of size, are Maui, O'ahu, Kaua'i, Moloka'i, Lana'i and Ni'ihau.

According to the U.S. Census, the total population of the State was 422,770 in 1940; 499,794 in 1950; 632,772 in 1960; 769,913 in 1970; 964,691 in 1980; 1,115,274 in 1990; 1,211,537 in 2000; 1,360,301 in 2010; and 1,455,271 in 2020, making the State the 40th most populous state in the Union as of 2020.

The City and County of Honolulu (CCH) consists of the island of O'ahu (plus some minor islets) with a land area of 600.7 square miles. Honolulu, the capital of the State and the principal port, is located on O'ahu. According to the U.S. Census, about 69.9% (as of 2020) of the population of the State lives on O'ahu.

Hawai'i's population exhibits greater ethnic diversity than other states because it is descended from immigrants from the Far East as well as from Europe and the mainland United States. Based on the 2020 U.S. Census, approximately 74.6% of the total population is of one racial extraction, as follows:

Asian	37.2%
Caucasian	22.9%
Native Hawaiian, Pacific Islanders	10.8%
African American/Native American	1.9%
Other	<u>1.8%</u>
	74.6%

NOTE: Due to rounding, details may not add up to the total.

The remaining 25.3% of the population is of two or more races.

State Government

The Constitution of the State provides for three separate branches of government: the Legislative Branch, the Executive Branch and the Judicial Branch.

Legislative power is vested in a bicameral Legislature consisting of a Senate of 25 members elected for four-year terms and a House of Representatives of 51 members elected for two-year terms. The Legislature convenes annually in regular session on the third Wednesday in January. Regular sessions are limited to a period of 60 days, and special sessions are limited to a period of 30 days. Any session may be extended by no more than 15 days.

Executive power is vested in a Governor elected for a four-year term. In the event of the absence of the Governor from the State, or his or her inability to exercise the powers and duties of his or her office, the Lieutenant Governor, also elected for a four-year term as a ticket, serves as the chief executive.

The Executive and Administrative Offices are limited to not more than 20 principal departments under the supervision of the Governor. The Executive functions have been grouped into 19 departments. The heads of the departments with the exception of the Superintendent of Education and the President of the University of Hawai'i (UH) who are appointed by the Board of Education and the Board of Regents, respectively, are appointed by the Governor, with the advice and consent of the Senate, and hold office for a term to expire with the term of the Governor, except for the Chairpersons of the Board of Agriculture, the Hawaiian Homes Commission, and the Board of Land and Natural Resources. The terms of these Chairpersons expire on December 30th of the year the Governor's term ends.

Under the Constitution, judicial power is vested in a Supreme Court, one intermediate appellate court, circuit courts, district courts, and such other courts as the Legislature may from time to time establish. Pursuant to statute, the Legislature has established four circuit courts, four district courts and an intermediate appellate court.

The Counties and Their Relationship to the State

There are four counties in the State: CCH, the County of Maui, the County of Hawai'i (COH) and the County of Kaua'i (COK) (and one quasi-county, Kalawao).

Each of the counties has a separate charter for its government, each of which provides for an elected mayor and an elected council. The mayor is the chief executive and the council is the legislative body. *There are no independent or separate cities or other municipalities, school districts or townships.*

The State government of Hawai'i has total responsibility for many functions that are performed by or shared by local governments in most other parts of the United States. For example, the State pays all costs in connection with the public school system, libraries, public welfare, and judiciary.

The greatest expenditures by the State in past years have been in the areas of education and public welfare. The counties' major areas of responsibility and expenditure are in police and fire protection, waste disposal, water and sewer facilities, and secondary streets and highways.

Controls on State Expenditures

Expenditure Controls

Probably the strictest control on State expenditures is found in the Hawai'i State Constitution, Article VII, Section 5, Expenditure Controls, which states that "general fund expenditures for any fiscal year shall not exceed the State's current general fund revenues and unencumbered cash balances, except when the Governor publicly declares the public health, safety or welfare is threatened as provided by law."

In addition, Section 37-37, HRS, provides that the Director of Finance (DOF) may modify or withhold planned expenditures if such expenditures are greater than those necessary to execute the programs at levels authorized by the Governor and the Legislature, or in the event that State receipts and surpluses would be insufficient to meet authorized expenditure levels.

By also establishing the Council on Revenues (Council) (Article VII, Section 7) to prepare estimates of State revenues and requiring the Governor and Legislature to use these estimates, the Constitution minimizes disagreements between the two branches of government on the amount of revenues that the State will receive, and therefore, the amount that can be spent.

General Fund Expenditure Ceiling

Another safeguard of the fiscal integrity of the State is the establishment of a maximum level of general fund appropriations allowed in any year. This maximum level is called the expenditure ceiling and is established by the Hawai'i State Constitution, Article VII, Section 9.

The expenditure ceiling limits the rate of growth of general fund appropriations to the estimated rate of growth of the State's economy as provided by law. The expenditure ceiling can be exceeded only by two-thirds vote of each house of the Legislature. The Legislature must also set forth the dollar amount and rate by which the ceiling will be exceeded and the reasons for exceeding the ceiling.

Chapter 37, State Financial Administration, Part V, General Fund Expenditure Ceiling, HRS, provides the details of how the expenditure ceiling is calculated and how State growth is measured.

The expenditure ceiling uses the FY 1979 general fund appropriations as the expenditure ceiling and is increased for each succeeding year by the estimate of State growth.

State growth is defined as the estimated rate of growth of the State's economy and is established by averaging the annual percentage change in total State personal income for the three calendar years immediately preceding the fiscal year for which the general fund appropriations are to be made.

Total State personal income means the total State personal income as defined by the State personal income series published by the United States Department of Commerce, Social and Economic Statistics Administration, Bureau of Economic Analysis (BEA).

For years for which the total State personal income has not been determined or published by the BEA, total State personal income is estimated by the Council. A preliminary estimate is made by August 5 of each year, followed by a final estimate by November 5 of that year.

Using these total State personal income estimates, the DOF determines a preliminary estimate of State growth and expenditure ceiling as of August 15 of each year, and a final estimate as of November 15 of each year.

The Council on Revenues

The Hawai'i State Constitution (Article VII, Section 7) authorizes the establishment of the Council for the purpose of preparing revenue estimates for use by the Governor and Legislature.

The Council was established by Act 278, SLH 1980 (Chapter 37, Part VI, Council on Revenues, HRS). The Council consists of seven members. Three members are appointed by the Governor and serve four-year terms. Two members each are appointed by the President of the Senate and Speaker of the House and serve two-year terms. The Council prepares revenue estimates of State government for the fiscal year in progress and for each year of the six-year State program and financial plan each June 1, September 10, January 10, and March 15.

The Governor must consider these estimates in preparing the budget, recommending appropriations and revenues, and controlling expenditures. The Legislature must consider the estimates in appropriating funds and enacting revenue measures. If the Legislature appropriates funds or if the Governor prepares a budget or recommends appropriations that will exceed the Council's revenue estimates, they must publicly declare this fact, including the reasons for it.

The Budget System

The Department of Budget and Finance (B&F) is one of the principal departments permitted by the Constitution of the State, with the head of this department being designated as the DOF. Under the general direction of the Governor, B&F administers the State's proposed six-year program and financial plan, the State budget, and financial management programs of the State.

With the enactment of the Executive Budget Act of 1970 (Act 185, SLH 1970), the Planning, Programming and Budgeting System of the State was adopted. The purpose of this Act is to integrate the planning, programming and budgeting processes to improve decisions on the allocation of resources.

The Act established a comprehensive system for State programs and their related costs over a time frame of six years. The operating and capital improvement requirements are evaluated together to ensure compatibility and mutual support. Systematic evaluations and analyses are conducted to ascertain the attainment of program objectives and alternative means or methods of improving current State services.

The Legislative Process

At least 30 days before the Legislature convenes, the Governor submits to the Legislature the proposed State budget of the Executive Branch for the ensuing fiscal biennium. The budgets of the Judicial Branch, the Legislative Branch and the Office of Hawaiian Affairs are submitted by their respective leaders to the Legislature for its consideration.

In odd-numbered years, the Executive Budget bill is known as the general appropriations bill, and in even-numbered years, as the supplemental appropriations bill.

No appropriation bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, can be passed on final reading until the general appropriations (or supplemental appropriations) bill is transmitted to the Governor. To become law, a bill must pass three readings in each house on separate days.

Each bill passed by the Legislature is certified by the presiding officers and clerks of both houses and then is presented to the Governor. If the Governor approves and signs the bill, it becomes law. If the Governor does not approve a bill, the Governor may return it, with the Governor's objections, to the Legislature.

Except for items appropriated to be expended by the Judicial and Legislative Branches, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the amount. For other bills, the bill can only be vetoed as a whole.

The Governor has ten days to consider bills presented to the Governor ten or more days before the adjournment of the Legislature sine die. If a bill is neither signed nor returned by the Governor within that time, it shall become law as if the Governor had signed it.

The Governor has 45 days, after the adjournment of the Legislature sine die, to consider bills presented to him/her less than ten days before such adjournment, or presented after adjournment. Such a bill becomes law on the 45th day unless the Governor by proclamation gives ten days' notice to the Legislature that he/she plans to return such bill with his/her objections in ten days.

The Legislature may convene on or before the 45th day in special session, without call, for the sole purpose of acting upon any such bill returned by the Governor. If the Legislature does not convene, the bill does not become law.

If the Legislature meets in special session, it may amend the bill to meet the Governor's objections. Only one reading is required in each house to pass the bill. It is presented again to the Governor, but becomes law only if the Governor signs it within ten days after presentation.

How State Government is Financed

General Fund

The General Fund is used to account for resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. The appropriations acts adopted by the Legislature provide the basic framework in which the resources and obligations of the General Fund are accounted. The operating appropriations and the related General Fund accounting process complement each other as basic control functions in the general administration of State government.

As part of the annual financial planning and executive budgeting process, B&F uses the Council's projections of General Fund revenues.

Deposits to the General Fund

Tax Collections

Tax collections collected by and for the Department of Taxation (TAX) amounted to \$11.1 billion in FY 2024. As shown in the following table, the General Excise and Use Tax is the State's most important source of revenue, accounting for approximately 40.4% of all tax collections. Next in size is the Individual Income Tax, which contributed approximately 29.6% of tax collections.

Tax Collections – FY 2024
(In Thousands of Dollars)

<u>Source of Revenue</u>	<u>Amount Collected</u>	<u>% of Total</u>
General Excise & Use	\$ 4,481,056	40.4%
Income – Individuals	3,281,525	29.6%
Transient Accommodations	828,327	7.5%
County Surcharge	489,688	4.4%
Income – Corporations	484,370	4.4%
Employment Security Cont.	377,458	3.4%
Motor Vehicle Taxes/Fees ¹	249,163	2.3%
Insurance Premiums	211,352	1.9%
Fuel & Environmental	195,895	1.7%
Public Service Companies	159,222	1.4%
Conveyance	97,411	0.9%
Tobacco & Licenses	84,166	0.8%
Inheritance & Estate	55,794	0.5%
Liquor & Permits	51,602	0.5%
Banks – Financial Corps.	30,912	0.3%
All Others ²	667	0.0%
Total	\$11,078,610	100.0%

¹Includes Motor Vehicle Weight Tax; Registration Fees; Registration Surcharge Fees; Commercial Driver's License Fees; Periodic Motor Vehicle Inspection Fees; Rental Vehicle, Tour Vehicle, and Car-Sharing Vehicle Registration Fees; and Rental Vehicle, Tour Vehicle, and Car-Sharing Vehicle Surcharge Tax.

²Includes fuel retail dealer's permits, fuel penalty and interest, general excise tax licenses, and transient accommodation fees.

NOTE: Due to rounding, details may not add to totals.

Source: TAX, State Tax Collections and Distribution Report, Year Ending June 30, 2024.

The individual income tax rates for married or unmarried individuals, including Head of Household range from 1.4% to 11.0% of net taxable income. The rate of the estate tax ranges from 1.4% to 8.25%. Tax rates for corporations range from 4.4% to 6.4%.

The general excise (gross income) tax is a business privilege tax measured by the application of rates against values of products, gross proceeds of sales, or gross income.

The use tax is levied on tangible personal property, contracting, services, or intangible property imported or purchased from an unlicensed seller for resale or use in the State. The tax is based on the purchase price or value of the tangible personal property, contracting, services or intangible property purchased or imported, whichever is the case.

Effective January 1, 2007, the CCH surcharge of ½ of 1% is imposed upon O'ahu activities subject to the 4% General Excise and Use Taxes. Prior to September of 2017, the State retained, as General Fund realizations, 10% of the county surcharge collected to reimburse the State for the costs of assessment, collection and disposition of the surcharge. Act 1, First SpSLH 2017, reduced the State's retention from 10% to 1% as of September 5, 2017.

COH imposed a surcharge or ¼ of 1% effective January 1, 2019, which it increased to ½ of 1% effective January 1, 2020. COK imposed a county surcharge of ½ of 1% effective January 1, 2019. The State retains 1% of the collections from the COH and COK surcharges.

The Public Service Company tax is a tax on the gross income from public utility business of public utilities in lieu of the general excise tax.

The estate tax is a tax on the transfer of a taxable estate and is based on the federal taxable estate, but has its own tax rate schedule, with tax rates varying from 10.0% to 15.7%. The generation skipping tax is also based on the federal taxable transfer, but has its own tax rate (currently 2.25%).

The banks and financial corporations tax is a franchise tax (in lieu of net income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or

subsidiaries not subject to the taxes discussed above. The tax is assessed on net income for the preceding year from all sources at a rate of 7.92%.

The insurance premiums tax is a tax on insurance companies (underwriters) based on premiums written in the State in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax rates range between 0.8775% and 4.68% depending on the nature of the policy.

There is an excise tax on those who sell or use tobacco products and a gallonage tax imposed on those who sell or use liquor.

Transient accommodations, conveyance and fuel taxes are allocated among various funds and to the counties.

The transient accommodations tax (TAT) of 10.25% is levied on the furnishing of a room, apartment, suite or the like customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, horizontal property regime or cooperative apartment, rooming house or other place in which lodgings are regularly furnished to transients for consideration. Of the annual TAT revenues, in FY 2022, \$1.5 million was distributed to the Turtle Bay conservation easement special fund, \$3 million was distributed to the special land and development special fund, \$70 million was distributed to the mass transit special fund (MTSF), \$7.7 million was distributed to the tax administration fund, and \$11 million was distributed to the convention center special fund. Act 1, SpSLH 2021, allowed the counties to establish their own TAT at a rate not to exceed 3% and provided an appropriation of \$60 million in FY 2022 to the Hawai'i Tourism Authority from federal funds received by the State under the American Rescue Plan Act. Any revenue in excess of these allocations is retained by the General Fund.

Non-Tax Revenues

Other amounts deposited to the General Fund are derived from non-tax sources, including investment earnings, rents, fines, licenses and permits, federal grants, charges for administrative services and other sources. In FY 2024, these non-tax revenues comprised approximately 10% of total deposits to the General Fund and totaled \$1.067 billion, as follows:

<u>Source of Non-Tax Revenues</u>	<u>Amount Collected FY 2024</u>
Executive Branch:	
Licenses & Permits	\$ 1,107,183
Use of Money & Property	164,391,018
Federal Grants	8,379,588
Revenues from Other Agencies	13,876,813
Charges for Current Services	457,838,026
Fines, Forfeitures & Penalties	79,063
Repayments of Loans & Advances	5,140,233
Other Non-Revenue Receipts	<u>391,009,484</u>
Sub-Total Executive Branch	\$1,041,821,408
Judiciary Branch	<u>25,590,895</u>
Total Non-Tax Revenues	\$1,067,412,303

Licenses and Permits are revenues from: 1) businesses and occupations which, by statute, must be licensed or granted permits before doing business in the State; and 2) non-business licenses and permits levied according to benefits presumably conferred by the license or permit. Major items in this category are marriage license fees and insurance license and service tax fees.

Revenues from Use of Money and Property are revenues derived from State property not used for departmental purposes, and from the investment and use, by others, of the State's capital. Major items are interest earnings on the investment of State funds in certificates of deposit, and reimbursements for general obligation (G.O.) bonds issued for highway, airport, Department of Land and Natural Resources, UH, and economic development capital improvement projects.

Non-tax revenues from federal grants are primarily made up of payments for indirect costs incurred by the State for carrying out federal programs and payments for interest subsidy on Build America Bonds.

Revenues from Other Agencies include uncashed warrants or checks and escheats and unclaimed moneys (real and personal property which have been returned to the State which are unclaimed or without legal heirs).

Charges for Current Services are fees charged for certain services such as court fees, ambulance fees, and Bureau of Conveyance filing fees, reimbursements from federal welfare programs, reimbursements for the State's (as an employer) advance for employee health insurance premiums and reimbursement for the costs of assessment, collection and disposition of the county surcharge on the State general excise tax.

Fines, Forfeits and Penalties are made up of fines imposed for commission of statutory offenses, violation of administrative rules and regulations, and neglect of official duties. Forfeits refer to giving up the right to deposits held by the State as performance guarantees by contractors, and bail forfeitures collected by the District and Circuit Courts of the Judiciary Branch.

The major items in Repayments of Loans and Advances are funds collected as repayments of principal G.O. bonds and other loans and advances.

Other Non-Revenue Receipts refer to transfers from non-general funds and refunds and reimbursements. Major items in this category are interest adjustments on the sale of G.O. bonds, premiums on bonds sold, transfers of excess balances from certain non-general funds, and reimbursements for pension accumulation and Social Security employer contributions from non-general funded programs.

Distribution of Taxes

Of the \$11.1 billion in FY 2024 tax collections, \$9.5 billion, or 86.4%, was deposited into the State General Fund. The counties received \$87.8 million from county fuel taxes. In addition, \$489.7 million of county surcharge was collected for CCH, COH, and COK (before deducting the administrative fee imposed by the State).

The remaining \$932.8 million was distributed to State special funds. The largest transfer was \$377.5 million to the Employment Security Fund. The next largest was the transfer of \$325.2 million to the State Highway Fund, followed by the \$79.7 million distribution to the MTSF.

Tax Distributions – FY 2024
(In Thousands of Dollars)

<u>Source of Revenue</u>	<u>Amount Collected</u>	<u>% of Total</u>
State General Fund	\$ 9,568,313	86.4%
Employment Security Fund	377,458	3.4%
State Highway Fund	325,187	2.9%
Mass Transit Fund	79,668	0.7%
Tax Administration Fund	54,417	0.5%
Rental Housing Fund	38,000	0.3%
Convention Ctr. Ent. Fund	11,000	0.1%
Cancer Research Fund	8,607	0.1%
Emergency Medical Serv. Fund	5,379	0.0%
Community Health Centers Fund	5,379	0.0%
Land Conservation Fund	5,100	0.0%
Trauma System Fund	4,841	0.0%
Land & Development Fund	3,000	0.0%
State Airport Fund	2,664	0.0%
Compliance Res. Spec. Fund	2,000	0.0%
Boating Special Fund	1,659	0.0%
Turtle Bay Cons. Easement Fund	1,500	0.0%
Energy Systems Development Fund	1,365	0.0%
Environmental Fund	1,306	0.0%
Energy Security Fund	1,174	0.0%
Cigarette Stm. Ad/Enf. Fund	1,170	0.0%
Electric Vehicle Charging System Subact.	748	0.0%
Hydrogen Fueling System Subact	748	0.0%
Agricultural Dev. & Food Sec. Fund	712	0.0%
Domes. Violence/Child Abuse Fund	136	0.0%
Public Libraries Fund	135	0.0%
Election Campaign Fund	92	0.0%
School Minor R&M Fund	61	0.0%
Sub-Total – State	\$10,501,105	94.8%
Revenues Transferred to Counties:		
County Surcharge	\$ 489,688	4.4%
Fuel Tax	87,817	0.8%
Sub-Total – Counties	\$ 577,505	5.2%
Total	\$11,078,610	100.0%

NOTE: Due to rounding, details may not add to totals.

Source: TAX, State Tax Collections and Distribution Report, Year Ending June 30, 2024.

Special Funds

Special funds are funds which are dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.

Special funds are used primarily and extensively with regard to highway construction and maintenance, harbor and airport operations, hospital operations, housing and homestead programs, certain programs in the area of education, business regulation, consumer protection, environmental management and tourism and other economic development. Federal funds are accounted for in special funds.

The major special funds in terms of revenues received are as follows:

<u>Fund</u>	<u>FY 2024 Revenues</u>
Airport Revenue Fund (DOT)	\$602,797,330
Emergency and Budget Reserve Fund (B&F)	536,077,125
MTSF (B&F)	421,378,162
State Highway Fund (DOT)	331,066,814
HHSC – Regions (DOH)	235,861,000
Harbor Special Fund (DOT)	204,391,303
School Facilities Special Fund (DOE)	81,685,613
Hilo Hospital (DOH)	76,161,317
Rental Motor Vehicle Cust. Fac. Chg. SF (DOT)	67,138,666
Deposit Beverage Container Deposit SF (DOH)	60,582,577

Source: Department of Accounting and General Services (DAGS), Financial Accounting and Management Information System Reports.

The types of revenues credited to the various accounts in special funds are user tax receipts (fuel taxes), revenues from public undertakings, improvements or systems (airports, harbors and university revenue-producing undertakings, among others), and various business, occupation and non-business licenses, fees and permits.

The proceeds of fuel taxes, motor vehicle taxes, rental motor vehicle and tour vehicle surcharge taxes, and unemployment insurance taxes are deposited into special funds. In addition, portions of the tobacco taxes; TATs; environmental response, energy, and food security taxes; and conveyance taxes are deposited into special funds.

Distributors are required to pay taxes on aviation fuel, diesel oil, alternative fuels for operation of an internal combustion engine and on liquid fuels other than the foregoing, e.g., on gasoline used to operate motor vehicles upon the public highways.

The unemployment insurance tax is a tax on wages paid by employing units with one or more employees with certain exemptions. The unemployment tax rate is determined according to a multi-contribution schedule system. There is an additional employment and training fund assessment on taxable wages paid to an employee. The percentage rate for this additional tax is 0.01%.

The State has a vehicle weight tax that varies from \$0.0175 per pound to \$0.0225 per pound, depending on the net weight of the vehicle; vehicles over 10,000 pounds net weight are taxed at a flat rate of \$300. There is a rental motor vehicle surcharge tax on a rented or leased motor vehicle. The tax is levied on the lessor. There is also a tour vehicle surcharge tax for each tour vehicle in the 25-passenger seat and over category and for each tour vehicle in the 8- to 25-passenger seat category. The tax is levied on the tour vehicle operator.

There is a rental motor vehicle customer facility charge of \$5.00 per day on motor vehicles rented from airport locations to pay for the development of airport rental car facilities. There is a car-sharing vehicle surcharge of \$0.25 per half-hour on motor vehicles rented by car-sharing organizations.

The tobacco tax currently assesses \$0.16 for each cigarette or little cigar, 70% of the wholesale price of tobacco products, and 50% of the wholesale price of each large cigar. The environmental response, energy, and food security tax is currently set at \$1.05 per barrel of petroleum product for the period from July 1, 2010 to June 30, 2030. There is also a tax on fossil fuel of \$0.19 per 1,000,000 British thermal unit. The conveyance tax is imposed on the amount paid in the sale, lease, sublease, assignment, transfer, or conveyance of realty or any interest therein. The tax rate ranges from \$0.10 per \$100 to \$1.25 per \$100, depending on the value of the property, the type of improvements on the property, and whether the purchaser is eligible for a homeowner's exemption for the property.

Federal Grants

State departments, agencies, and institutions annually receive both competitive and formula-driven federal grants. Over the past five years:

- Approximately 59% of the federal grants were awarded to human resources programs in public health, vocational rehabilitation, income maintenance, services to the blind, and other social or health services.
- Approximately 15% of such federal funds were used to support programs in the public schools, community colleges, and the university system.
- Transportation and highway safety activities received about 7% of all federal funds, primarily for interstate highway construction.
- Employment programs, including unemployment compensation benefit payments, accounted for about 1% of such federal receipts.
- Other programs accounted for the balance of such receipts.

The following table details the annual federal grants for the indicated fiscal years to the State's departments, agencies and institutions.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Grant Amount</u> <u>(\$ in millions)</u>
2015	2,751.2
2016	2,988.8
2017	2,802.8
2018	3,035.2
2019	2,900.6
2020	3,817.7*
2021	4,567.8
2022	5,433.1
2023	3,981.8
2024	4,219.3

*Includes \$862 million in FY 2020 of federal COVID-19 funds.

Source: State of Hawai'i – DAGS and Office of Federal Awards Management.

Revolving Funds

Revolving funds are funds from which is paid the cost of goods and services rendered or furnished to or by a State agency and which is replenished through charges made for the goods or services, or through transfers from other accounts or funds.

The major revolving funds in terms of revenues received are as follows:

<u>Fund</u>	<u>FY 2024 Revenues</u>
Rental Housing Revolving Fund (DBEDT)	\$529,975,390
Water Pollution Control Revolving Fund (DOH)	82,181,402
Dwelling Unit Revolving Fund (DBEDT)	77,247,011
Drinking Water Treatment Revolving Fund (DOH)	43,210,953
State Risk Management Revolving Fund (DAGS)	31,911,661

Source: DAGS, Financial Accounting and Management Information System Reports.

Emergency and Budget Reserve Fund

Chapter 328L, HRS, relating to the Hawai'i Tobacco Settlement Special Fund, which established a special fund for moneys received from the settlement between the State of Hawai'i and various tobacco companies, also established the Emergency and Budget Reserve Fund (EBRF), a special fund for emergency and "rainy day" purposes. Deposits to the EBRF include appropriations made by the Legislature, a portion of the tobacco settlement moneys and, under conditions established by Article VII, Section 6, of the Hawaii Constitution and Section 328L-3, HRS, a portion of the general fund balance. All interest earned from moneys in the EBRF is credited to the EBRF. Appropriations from the EBRF require a two-thirds majority vote of each house of the Legislature. The EBRF balance as of June 30, 2024, was \$1.5 billion. The balance at the end of FY 2025 is projected to be \$1.6 billion.

Hawai'i Hurricane Relief Fund

The Hawai'i Hurricane Relief Fund (HHRF) was established pursuant to Act 339, SLH 1993 (codified as Chapter 431P, HRS), to provide hurricane insurance coverage for Hawai'i property owners should the

private market prove unreliable. It was created to address the problem of private insurers leaving the hurricane insurance market following Hurricane Iniki in September 1992. As of January 1, 1999, the HHRF provided hurricane coverage for approximately 155,000 policyholders statewide. The HHRF ceased operations in 2002 when private insurers returned fully to the market. No policies have been issued since that time.

Upon ceasing operations, the HHRF's reserves, amounting to \$186.7 million, were kept in the HHRF to provide working capital if reactivation of operations becomes necessary. Reactivation may be needed if a major hurricane were to strike the Hawaiian Islands in the future, and private insurers, after settling claims for that event, were to leave the hurricane insurance market again.

Although not formally established as a budget reserve, the HHRF has been used as a de facto budget reserve. Appropriations from the HHRF require a majority vote by the Legislature. From time to time, the Legislature has appropriated moneys from the HHRF to be deposited into the General Fund for various governmental purposes and provided a statutory mechanism to repay the HHRF in future fiscal years. In light of recent developments and emergency proclamations relating to the condominium insurance market as described below, such reserve policy is being reviewed with the intent of revising the policy such that the HHRF balance would no longer be treated as part of the State's operating reserve. For FY 2024, the HHRF ending balance was \$171.4 million.

On August 7, 2024, and again on October 4, 2024, the Governor issued emergency proclamations aimed at stabilizing Hawai'i's volatile condominium insurance market, which has seen very large rate increases due to a hardening global insurance industry and recent increase of catastrophic events around the world. In conjunction with the emergency proclamations, the Governor established a Joint Executive and Legislative Task Force to monitor the insurance market, implement short-term fixes and recommend emergency changes or legislative proposals. The emergency proclamations allow loans to be made to the HHRF and the Hawai'i Property Insurance Association to facilitate issuance of hurricane and property insurance policies to condominium associations, and the HHRF to issue hurricane insurance policies for large condominium buildings and set its own coverage limits.