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September 12, 2025

FINANCE MEMORANDUM

MEMO NO. 25-13

TO: All Department Heads

FROM: Luis P. Salaveria /s/
Director of Finance

SUBJECT: FY 27 Supplemental Budget Policies and Guidelines (Fiscal
Biennium 2025-27)

The policies and guidelines included herein shall apply to the preparation of the Executive Supplemental Budget for FY 27 (FY 2025-27).

General Background

Fluctuating federal policies continue to cause widespread challenges across the country. These changes amidst underlying uncertainty impact national economic trends and are expected to affect Hawai'i's economy for the foreseeable future. Shifts in federal policy also impact the availability of funding for many federal and State programs.

While the State anticipates a significant loss of federal funds over the next several fiscal years, additional challenges could result from the loss of essential community services, such as those provided by non-profit organizations, layoffs of federal workers, and tariffs. These dynamics require the State to monitor and adapt as revenue projections shift and impact the availability of funding for federal and State programs.

The Council on Revenues' (COR) general fund tax revenue growth projection considers the potential economic impact brought about by fluctuating federal policies while acknowledging the high level of uncertainty. At its September 4, 2025 meeting, the COR lowered its general fund tax revenue growth forecast for FY 25 from -3.5% to -4.7% but raised its forecasts for FY 27 from 1% to 2% and FY 28 from 1.5% to 1.9%. The COR also lowered its forecast for FY 29 from 2.6% to 2.5%, while leaving the forecast for FY 31 at 3.1% and setting a new forecast for FY 32 at 3.4%.

The COR's downward revision in FY 26 reflects the weakening U.S. economy and the resulting anticipated decline in the tourism industry. The negative growth in FY 26 is due, in part, to an adjustment for the higher base in FY 25 due to the one-time boost of

\$315 million in estate tax collections in September 2024. The COR's forecast also accounts for the impact of several acts: Act 46, SLH 2024 (income tax reductions); Act 47, SLH 2024 (general excise tax exemptions of medical and dental services paid with Medicare, Medicaid and TRICARE); Act 58, SLH 2025 (Pass-Through Entity tax add-back); and Act 96, SLH 2025 ("climate impact fee" through the transient accommodations tax). The COR notes that Hawai'i's inflation is lower than the national average, which may be signaling a weakness in the economy and the real estate market.

Currently, the growth of the construction industry continues. Going forward, the outlook is positive with large government projects and private industry investments expected to fuel growth. In the tourism sector, the largest economic driver of Hawai'i's economy, visitor spending levels have generally outpaced annual inflation, which means the tourism industry is beginning to recover beyond pre-pandemic levels.

The expansion of the tourism industry is still ongoing, with visitor arrivals increasing by 1.2% through July 2025, year to date (YTD), while total expenditures also grew by 4.7% for the same period. Visitor expenditures have also seen double-digit growth of over 22.3% compared to pre-pandemic levels (July 2019 YTD), despite a decrease in arrivals of over 6%.

The tourism industry on Maui is still recovering from the 2023 wildfires, with visitor arrivals down but visitor spending through July 2025 increasing by 11.7% compared to pre-pandemic levels. Compared to the same period last year, however, Maui has shown favorable growth in both visitor arrivals (9.2%) and spending (9.8%), which is promising.

The State's unemployment rate has steadily improved in 2025. From January through July 2025, the unemployment rate decreased from 3.0% to a preliminary rate of 2.7%. Since the pandemic, the State's unemployment rate has fluctuated, but 2.7% is the lowest rate since then and is one of the lowest rates in the country, indicative of our strong labor market.

For the first two months of FY 26, preliminary general fund tax revenues have decreased by 3.9%, which is in line with the COR's current projection of -4.7% for FY 26. While this decrease appears to be the result of the change in the individual income tax withholding tables pursuant to Act 46, SLH 2024, we will be monitoring revenues going forward and should exercise caution.

It is abundantly clear that situations can change quickly, sometimes literally overnight. We must remain mindful of the impact of reductions in federal funds coming into the State and the stability of federal grant programs. The State will have to bear the economic impact of federal policy decisions while having to provide State funding for federal programs. We must be prepared to assume the costs of federally funded programs should funding be reduced or discontinued for services that the State deems critical, which could impact budget decisions.

To ensure that the State maintains a secure fiscal position, all departments should be prudent with their expenditures, including proposed budget requests. Many departments received substantial funding in Act 250, SLH 2025, as well as other specific appropriation acts; consequently, please be sure to take all resources into consideration before submitting requests for additional funding.

Constitutional and Statutory Requirements

In preparing the supplemental budget, the Executive Branch is bound by constitutional and statutory requirements, which include, but are not limited to, the following:

- Article VII, Section 9, of the State Constitution provides that “. . . in each regular session in an even-numbered year, at such time as may be provided by law, the governor may submit to the legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, to be known as the supplemental appropriations bill, and bills to amend any appropriations for capital expenditures of the current fiscal biennium. . .”
- Section 37-72, Supplemental Budget, HRS, states that the Governor may submit to the Legislature a supplemental budget to amend any appropriation for the current fiscal biennium. The supplemental budget shall reflect the changes being proposed in the State’s program and financial plan and shall be submitted, as applicable, in the manner provided in Section 37-71, The Budget, HRS.
- 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 plans, land acquisition, design, construction, and equipment and furnishing.

Thus, the Executive Supplemental Budget will include all appropriations from Act 250, SLH 2025, the General Appropriations Act. To meet the requirements of Section 37-71, HRS, we must also designate the funding for capital improvement program (CIP) projects included in the FY 27 Supplemental Budget by cost element (i.e., plans, land acquisition, design, construction, and equipment). This includes providing cost element breakdowns for CIP projects that were originally appropriated in Act 250, SLH 2025.

Highly Critical Priority Program Needs

As managers of the public’s funds, we must effectively use State resources to achieve program objectives. Therefore, each department’s budget review process should consider rebalancing their budget resources as well as using alternative means and

resources to address current program requirements through trade-offs and transfers. As such, we also encourage departments to eliminate long-term vacancies to make better use of resources.

Departmental budget requests for the FY 27 Supplemental Budget should concentrate on addressing critical program needs related to: fixed costs (including other post-employment benefits) and entitlements; highly critical priorities; federal fund supplanting (see ***Federal Fund Budgeting*** section for additional information); health and safety requirements; requirements due to court orders, consent decrees or federal mandates; and funding for new half-year funded positions. Non-general funded programs may consider requests that are sustainable.

Budget Transparency

Departments should review their FB 2025-27 operating budget details for items that do not align with anticipated expenditures and can be addressed immediately. Each department's review should include, but should not be limited to, the following, as applicable:

- Negative adjustments
- Underfunded, unfunded, or unbudgeted positions
- Specific budget line items that do not align with anticipated expenditures

Be aware that Section 37-74(f), HRS, 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.

"Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program. This prohibition does not apply to:

- Positions at the University of Hawai'i (UH) and the Hawai'i Health Systems Corporation;
- Positions entirely federally funded;
- Positions necessary for compliance, without undue delay, with a court order or decree if the Director of Human Resources Development determines that the recruitment through normal civil service procedures would result in delay or noncompliance;
- Positions for special, research, or demonstration projects approved by the Governor;
- Positions approved by the Governor to perform an emergency management function under the Department of Defense pursuant to Section 127A-12(b)(9), HRS;

- Casual hire positions;
- Vicing positions;
- Positions established by an agency or department pursuant to explicit statutory authorization to establish such positions; and
- Positions established by an agency or department for a program or project funded by an appropriation in an act other than the general or supplemental appropriations act.

Thus, all unbudgeted positions that are critical and on-going must be identified and incorporated into the budget. Additional funding will not be provided for these positions because they are currently funded within existing budgets; as such, departments may submit requests for “conversion of unbudgeted positions,” which are cost neutral but may increase temporary or permanent position counts.

Departments should submit the following for changes necessary to align their budgets in FY 27:

1. “Conversion of unbudgeted positions” requests to authorize unbudgeted positions through trade-off and transfer of funding and position counts (if necessary, permanent or temporary position counts may be requested); or
2. Trade-off and transfer adjustment requests necessary to correct negative amounts, fully fund underfunded or unfunded positions, or realign the budget to expenditures; or
3. Base adjustment requests to delete underfunded or unfunded positions.

Federal Fund Budgeting

The future of many federal grant, loan, and other financial assistance programs remains uncertain. In recent months, various federal award actions by federal agencies have occurred, such as the termination of awards (many have been rescinded by court action); reduction of award obligations; or the shortening of performance periods. All agencies receiving federal funds for operational purposes shall continue to review such operations for possible changes to anticipated federal grants or other federal funding agreements.

It is also anticipated that the federal FY 26 budget will include a significant number of award terminations and reductions as proposed in the President’s budget. Departments should have indicated the awards that are being considered for termination or reduction in the President’s budget via the FY 26 Form FF budget execution process.

The State budgets each anticipated federal grant award and expends each grant award on a one-to-one (grant award to appropriation symbol) basis. This process is intended

to increase transparency and improve the State's ability to meet federal reporting requirements.

The Federal Fund Information for States list of major, recurring federal awards was used to determine which federal awards were appropriated in FB 2025-27 as means of financing (MOF) "N" (federal funds). All other federal awards anticipated to be received in FY 26 or FY 27 were appropriated as MOF "P" (other federal funds).

Each operating federal grant award anticipated to be received in FY 26 received a unique appropriation symbol and, pursuant to Internal Controls for FB 2025-27 issued by the Director of Finance that received the concurrence of the Comptroller on July 22, 2025, an extended lapse date to accommodate the difference between the State and the federal fiscal years and performance periods which extend beyond one year. Also, federal fund CIP appropriations that have been deemed necessary to qualify for federal-aid financing and reimbursement will lapse five fiscal years after the fiscal biennium to encourage the timely implementation of federally funded projects and expenditure of federal grant awards.

For planning purposes, it should not be assumed that State funding will automatically replace federal funding in situations where federal funding is disrupted or discontinued, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds. Future reductions to federal grant awards and other federal funding agreements are highly possible, and departments should be working with their federal contacts to closely monitor the status of the appropriate federal programs.

The use of discretionary federal funds for positions is discouraged and should be minimized.

During this supplemental budget process, departments should submit requests to adjust FY 27 federal fund ceilings to more accurately reflect anticipated federal award amounts or to correct the MOF, if necessary. The attached listing of "Major, Recurring Federal Awards for State FY 2027" shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 27. Please note that the list is based on the federal FY 24 budget. Departments may also use the President's federal FY 26 budget as the basis for requesting potential federal fund ceiling changes.

For federal awards that are no longer anticipated to be received in FY 27, federal fund adjustment requests should be submitted for the respective reductions. For federal awards that are expected to be reduced or discontinued in FY 27 but have objectives that have been deemed priority and necessary to be continued with State funding, trade-off and transfer requests for other MOF should first be considered; however, if trade-off and transfer requests are not feasible, budget requests for federal fund supplanting for other appropriate MOF may be submitted.

All departments shall use the Federal Award Management System (FAMS) electronic workflow, which is part of Datamart, to update their **Form FF** (*Federal Awards for*

FB 2025-27 – Supplemental Executive Budget Request), which shall include all anticipated grants to be received in FY 27 and shall be used to determine MOF “N” and MOF “P” ceiling adjustments. The appropriate budget request **Form A** (*Operating Budget Adjustment Request*) should be submitted to reflect all adjustments; all requests should also be included on **Form B** (*Department Summary of Operating Budget Adjustment Requests*).

I. General Policies

The general policies for the development of the FY 27 Executive Supplemental Budget are as follows:

- A. Program goals and objectives are generally expected to be accomplished within existing funding levels for general and non-general funds. There will be limited operating budget increases from current appropriations for FY 27, as authorized in Act 250, SLH 2025.
- B. Before requesting additional funds, departments should first consider trade-offs and transfers within and among their programs to address departmental needs or to bring about greater efficiency.
- C. Given the uncertain nature of future federal funding levels and the State’s uncertain fiscal situation, programs should not assume that State funds will be available to support program costs if federal funds are reduced or no longer available or that State funding will be increased to qualify for increases in federal matching funds. The use of discretionary federal funds for positions is also discouraged.
- D. Pursuant to Section 37-68(1), HRS, any proposal for new programs, regardless of funding sources, must demonstrate that such programs are appropriate functions of State government and can be implemented by government as cost-effectively as by the private sector.
- E. Departments should be prepared to initiate necessary enabling legislation or appropriate rule changes to coincide with budget requests, as applicable. However, bear in mind that only legislative proposals that have been coordinated with the Office of the Governor should be proposed.

Departments shall inform the Department of Budget and Finance (B&F) analyst assigned to your department of all applicable legislative proposals as part of the budget review. In addition, **Form A** (*Request for Operating Budget Adjustment*) shall be used to provide the necessary information to justify the request.

- F. Requests for additional manpower will be reviewed against existing vacancy rates, and trade-offs and transfers should be considered before requesting increases to position ceilings (i.e., additional full-time equivalent position counts) above current authorized levels. Fringe benefit rates for positions, regardless of MOF, will be included in the analysis of additional manpower requests.

II. Supplemental Budget Guidelines

A. Operating Budget

The following guidelines apply to all MOF, unless otherwise specified.

1. Allowable FY 27 operating budget requests:

a. Trade-off and transfer, and conversion of unbudgeted positions.

- Trade-off and transfer. Cost neutral trade-off and transfer requests within and among programs may be submitted to address changes in program needs or to improve operational efficiency or budget transparency. Departments shall submit requests to trade-off and transfer funding for positions that are unfunded or underfunded in the budget but have been filled or approved for filling.
- Conversion of unbudgeted positions. Cost neutral trade-off and transfer requests within and among programs may be submitted to fund unbudgeted positions. Requests for conversion of unbudgeted positions may include new temporary or permanent position counts, if necessary.

b. Fixed costs and entitlement expenses. Requests for debt service, fringe benefits, Medicaid, and financial assistance may be submitted for the following programs:

- **Debt Service**

AGS 231: Finance agreement payments

BUF 721, BUF 725, BUF 728: Principal and interest on general obligation (G.O.) bonds

HHL 625: Finance agreement payments

TRN 195, TRN 395, TRN 595: Principal and interest on the Department of Transportation's (DOT) revenue bonds and G.O. reimbursable (G.O.R.) bonds

- **Employee Fringe Benefits**

BUF 741, BUF 745, BUF 748: Pension Accumulation, Social Security, and Medicare

BUF 761, BUF 765, BUF 768: Employer-Union Health Benefits Trust Fund premiums for health insurance

BUF 762: Employer contribution payments for the annual required contribution for other post-employment benefits

- Medicaid/QUEST

HMS 401: Health care payments

- c. Federal fund adjustments. The attached listing of “Major, Recurring Federal Awards for State FY 2027” shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 27.

Form FF (*Federal Awards for FB 2025-27 – Supplemental Executive Budget Request*) shall include the following:

- All awards on the list of “Major, Recurring Federal Awards for State FY 2027” included under MOF “N” (federal funds).
- All other recurring, including currently non-appropriated, or anticipated awards under MOF “P” (other federal funds). Anticipated awards under MOF “P” may be included if you reasonably expect to apply for and receive a federal award that has not been designated as MOF “N.”
- The total amount of each federal award anticipated to be received in FY 27, regardless of the performance period. Departments should make reasonable estimates of anticipated grant award amounts based on the previous year’s grant award and/or by discussion with the awarding federal agencies. The President’s federal FY 26 budget may also be used to determine adjustments.

Note: Due to the extended lapse dates for federal fund appropriations, anticipated carryover amounts from FY 26 or prior years should not be included on **Form FF** or included in the budget.

FY 27 federal fund (MOF “N” or “P”) budget requests shall be submitted:

- For appropriation ceiling increases required because the total amount of awards anticipated to be received in FY 27 exceeds the Act 250, SLH 2025, appropriation ceiling for the respective MOF, as indicated on **Form FF**. However, while federally funded programs may submit ceiling requests for anticipated grant awards, requests requiring matching general funds or other MOF should be funded by trade-offs, if possible.

All departments should be aware that additional reductions to federal awards are always a possibility and should exercise caution when requesting an increase to their federal fund ceiling. Departments

should not assume that State funds will be available to support program costs if federal funds are no longer available.

- For appropriation ceiling decreases required because the total amount of awards anticipated to be received in FY 27 is less than the Act 250, SLH 2025, appropriation ceiling for the respective MOF, as indicated on **Form FF**. For federal awards expected to be reduced or discontinued with priority objectives, requests to supplant federal funds using trade-offs and transfers of other MOF should be first considered; however, if trade-offs and transfers are not feasible, requests to supplant federal funds with other MOF may be submitted.
- To correct the MOF for awards already appropriated in Act 250, SLH 2025, if necessary.

Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.

- d. Highly critical priorities. Requests may be submitted for costs anticipated for FY 27 related to highly critical priorities.
 - e. Federal fund supplanting. Requests may be submitted to continue the objectives of reduced or discontinued federal awards that have been deemed priority and necessary to continue with State funding.
 - f. Health and safety. Requests may be submitted to address requirements for public health and safety.
 - g. Court orders and consent decrees, or federal mandates. Requests may be submitted to address requirements for immediate needs to meet court orders, consent decrees, or federal mandates.
 - h. Full-year funding for half-year funded positions. Departments with positions that were authorized in FY 26 that were half-year funded in Act 250, SLH 2025.
 - i. Other non-general fund requests. Non-general fund requests may be submitted for other **sustainable** program requirements that do not fall in the aforementioned categories.
2. Operating requests shall be prepared as follows:
 - a. Use **Form A** (*Operating Budget Adjustment Request*) to:
 - Request FY 27 budget adjustments as allowed under Item II.A (Supplemental Budget Guidelines, Operating Budget).

- Identify details of plus or minus funding in requests for trade-offs/transfers. **Form A-Attachment** may be used to list multiple conversions of unbudgeted positions or trade-off/transfer proposals.
 - b. Use **Form B** (*Department Summary of Operating Budget Adjustment Requests*) to summarize all supplemental budget adjustment requests at the Program ID/Organization Code level. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding trade-off/transfer requests or for requests with multiple MOF.
 - c. Use **Form FF** (*Federal Awards for FB 2025-27 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 27.
 - d. For each special or revolving fund request, including transfers, an updated six-year financial plan must be submitted.
 - e. Update **BJ Summary Tables**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
 - f. Prepare **Budget Narratives**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
3. Non-general fund programs should plan for a fringe benefit assessment rate of 60% for FY 27.
 4. Increases to non-general fund appropriation ceilings may be requested if there is sufficient basis for the department's revised estimates and if such increases will not require additional general fund appropriations. A financial plan for the fund supporting the request must also be submitted. Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
 5. Existing positions must be funded for the full year; new positions shall be funded for a maximum of six months for the first year then for the full year thereafter. Vacant positions must be funded for the full year; partially funded or unfunded positions should be eliminated.
 6. Section 37-74(f), HRS, 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, with specified exceptions (see prior **Budget Transparency** section for details). "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program.

All positions currently funded by departments that are not authorized in Act 250, SLH 2025, or exceptions under Section 37-74(f), HRS, must be identified. Those positions deemed critical and ongoing should be incorporated into the budget. Additional funding will not be provided for these positions; only requests for “conversion of unbudgeted positions” (trade-offs and transfers) may be submitted.

7. Legislative proposals that contain specific appropriations or that impact revenues must be coordinated with the Office of the Governor. The B&F analyst assigned to your department must also be informed accordingly.
8. With the exception of the Department of Education (DOE), UH, and the Office of Hawaiian Affairs, the State Chief Information Officer (CIO) and the Office of Enterprise Technology Services (ETS) shall have authority over the design and implementation of all Executive Branch Information Technology (IT) infrastructure, software applications, Information Resource Management activities, and shared services, including, but not limited to, data and telecommunications networks. All department IT Strategic Plans, IT Applications and Project Roadmaps must be updated in on the ETS application portfolio management system, and budget requests shall be submitted to the CIO as part of the budget submission and review process in compliance with Administrative Directive No. 18-03, dated September 25, 2018, and Act 58, SLH 2016, Section 3 (Sections 27-43(a)(4) and (5), HRS), effective July 2, 2016. Departments must obtain the CIO’s approval in conjunction with B&F’s recommendation and the Governor’s approval.

B. CIP Budget

All CIP projects from Act 250, SLH 2025, for both FY 26 and FY 27, will already be included in each department’s FY 27 Supplemental Budget request due to the breakdown of lump sum funding by cost element (i.e., plans, land acquisition, design, construction, and equipment) pursuant to Section 37-71, HRS.

State resources will be targeted towards highly critical priorities. However, departments should focus on completing the CIP projects already authorized in previous and current budget acts and are encouraged to review their current appropriations for trade-offs or to propose lapsing existing projects before considering requests for new funding. There shall be no general-funded CIP requests.

1. CIP project requests may be submitted for the following:
 - a. Highly critical priorities. Requests may be submitted for projects to address highly critical priorities.
 - b. Major repair and maintenance (R&M) for a public or educational facility. Requests may be submitted for Major R&M projects that extend the

useful life of a facility or provide for greater functional/operational efficiency through a significant improvement or upgrade.

The life expectancy of the project should generally be over 15 years. Examples include: major reroofing, refurbishing of building space or building infrastructure, and major improvements to public facilities. Justification for such projects must indicate how the proposed improvement will extend the useful life of the asset or improve its functional/operational efficiency.

- c. Completion of ongoing CIP projects. Funding necessary to complete later phases of ongoing CIP projects.
 - d. Health and safety. Projects to address public health and safety concerns.
 - e. Court orders and consent decrees, or federal mandates. Projects to address immediate needs related to court orders and consent decrees, or federal mandates.
 - f. Energy efficiency. Projects that improve energy efficiency or conservation.
 - g. Public infrastructure improvements. Projects that improve State-owned physical structures and systems used by the public.
 - h. Trade-offs. Projects that result in no net increase in authorization levels due to offset by the lapsing of other projects.
2. All departments are required to use eCIP, B&F's web-based CIP system, to prepare their supplemental CIP budget request and update the CIP tables, as follows:
- a. Use **Table P** (*Capital Project Details*) to request supplemental budget adjustments as allowed under Item II.B (Supplemental Budget Guidelines, CIP Budget).
 - b. Use **Table Q** (*Capital Project Details*) to provide project schedule, expenditures, and other information for each respective CIP request.
 - c. Use **Table R** (*Capital Project Information and Justification Sheet*) to provide narrative project information and justification for each respective CIP request.
 - d. Use **Form S-FY 27 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 27 Supplemental Budget CIP requests. **Form S-FY 27 Supplemental** must be downloaded in Excel format from

eCIP. “Part A: Proposed Lapses” and the request category of **Form S-FY 27 Supplemental** must be completed manually.

All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF. **Form S-FY 27 Supplemental** should be downloaded from eCIP prefilled after the department’s requests have been inputted. Projects from Act 250, SLH 2025, including those that have not been changed in eCIP, will be included on the **Form S-FY 27 Supplemental** due to the inclusion of cost element breakdowns.

3. Requests for G.O. or G.O.R. bond-funded appropriations must include a well-defined scope of work for each specific project proposed that is to be funded (i.e., requests for lump sum appropriations must provide a breakdown for the specific projects proposed that are to be funded by each lump sum appropriation). Use **Form CIP Details** (*Details of Scope of Work for CIP Requests*) to provide details on the scope of work and cost breakdowns for each specific project requested. Requests that do not provide sufficient information will not be considered.
4. CIP projects financed by special, revolving, or revenue bond funds must be self-supporting. Departments must ensure that the responsible program will be able to generate sufficient revenues to cover the cost of the undertaking, including principal and interest, that a dedicated fund has been authorized to ensure the availability of funds for such purpose, and that these revenues are reflected in the Quarterly Update of Revenue Estimates.
5. CIP requests financed by federal or other federal funds that require extended lapse dates (biennium plus five years) to meet the requirements of their federal awards must include the following language in their project description: “This project is deemed necessary to qualify for federal-aid financing and/or reimbursement.”
6. All requests will be reviewed for their impact on debt service and operating costs. Additional operating costs incurred as a result of CIP requests must be accommodated within your department’s operating budget ceiling.

Operating cost information must be included in **Table R** (*Capital Project Information and Justification Sheet*), **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) for all CIP budget requests.

Pursuant to Act 135, SLH 2014, and Act 150, SLH 2015, departments submitting CIP requests must provide estimates of operational costs for each proposed CIP project and furnish all documents that support each operational cost estimate. **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of*

Estimated Operating Costs Related to CIP Requests) have been developed to standardize reporting of CIP operational costs in conformance with these acts.

7. Works of Art. Departments are reminded that CIP budget requests should include 1% for Works of Art in accordance with Section 103-8.5, HRS, and criteria set forth by the State Comptroller. Departments should refer to Comptroller's Memorandum No. 2025-20, Assessment for Works of Art, HRS Section 103-8.5, as Amended by Act 131, SLH 2025 (<https://ags.hawaii.gov/wp-content/uploads/2025/08/Comptroller-Memorandum-2025-20-Works-of-Art-Calculation-Aug4-2025-signed.pdf>) for additional guidance.
8. User and expending agencies with CIP requests that are to be funded by G.O. or G.O.R. bonds are reminded of the compliance requirements of the Tax Reform Act of 1986, including amendments, thereto. **Form PAB** (*Questionnaire – General Obligation Bond Fund Appropriations*) (revised October 2020) must be completed and submitted for every G.O. or G.O.R. bond fund CIP request. If assistance with this form is required, please contact B&F's Financial Administration Division.

III. Submission Requirements and Format

Departments must use the following formats in submitting their supplemental budget requests and should use the attached instructions as applicable. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details. Financial plans for funds supporting non-general fund requests are also required.

A. Requirements for Operating Budget Requests:

1. Use **Form A** (*Operating Budget Adjustment Request*) to:
 - a. Request FY 27 budget adjustments as allowed under Item II.A (Supplemental Budget Guidelines, Operating Budget).
 - b. Identify details of plus or minus funding in requests for trade-offs and transfers. **Form A-Attachment** may be used to list multiple conversions of unbudgeted positions or trade-off and transfer proposals.
2. Use **Form B** (*Department Summary of Operating Budget Adjustment Requests*) to summarize all supplemental budget adjustment requests at the Program ID/Organization Code level. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding trade-off and transfer requests or for requests with multiple MOF.

3. Use **Form FF** (*Federal Awards for FB 2025-27 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 27.
4. For each special/revolving fund appropriated in Act 250, SLH 2025, including transfers, an updated six-year financial plan must be submitted.
5. Update of **BJ Summary Tables**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
6. Prepare **Budget Narratives**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.

B. Requirements for CIP Budget Requests:

1. All departments are required to use eCIP, B&F's web-based CIP system, to update the CIP tables and prepare their supplemental CIP budget request:
 - a. Use **Table P** (*Capital Project Details*) to request supplemental budget adjustments as allowed under Item II.B (Supplemental Budget Guidelines, Capital Improvement Budget).
 - b. Use **Table Q** (*Capital Project Details*) to provide project schedule, expenditures, and other information for each respective CIP request.
 - c. Use **Table R** (*Capital Project Information and Justification Sheet*) to provide narrative project information and justification for each respective CIP request.
 - d. Use **Form S-FY 27 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 27 Supplemental Budget CIP requests. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF.

Departments shall use the prefilled version of **Form S-FY 27 Supplemental**, which will include the CIP projects from Act 250, SLH 2025, and must be downloaded after all new CIP requests have been inputted, for their department's budget submittal. "Part A: Proposed Lapses" and the request category of **Form S-FY 27 Supplemental** must be completed manually after downloading the **Form S-FY 27 Supplemental** file from eCIP.

2. **Form CIP Details** (*Details of Scope of Work for CIP Requests*) must be completed for all G.O. and G.O.R. bond-funded CIP requests to provide a detailed scope of work and cost breakdown for each CIP project requested, including breakdowns of all lump sum requests by specific project.

3. **Form PAB** (*Questionnaire – General Obligation Bond Fund Appropriations*) (revised October 2020) must be completed for all G.O. and G.O.R. bond-funded CIP requests to indicate anticipated private activity use of State facilities.
4. **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) must be completed for all CIP requests to indicate the anticipated operating costs related to each CIP project requested.

C. Additional Requirement:

Act 150, SLH 2015, also requires that each agency responsible for operating or maintaining a State-owned building, facility, or other improvement furnish B&F with an estimate of the deferred maintenance costs for the building, facility, or other improvement. Deferred maintenance cost refers to the cost of R&M of the State-owned building, facility, or other improvement that has been delayed past the ordinary R&M cycle.

A summary of the deferred maintenance costs must be provided in the supplemental budget document. As such, all departments responsible for operating or maintaining a State-owned building, facility, or other improvement must complete and submit **Form DMC** (*Department Summary of Estimated Deferred Maintenance Costs*). Detailed worksheets and other supporting details should be available upon request.

D. Availability of Electronic Forms:

Excel files will be emailed to your Administrative Services or Budget Officer and will also be available on the B&F website unless noted below:

- **Form S-FY 27 Supplemental** should be downloaded from eCIP. The prefilled version, which will include the CIP projects from Act 250, SLH 2025, must be used for your department's budget submittal.
- A prefilled **Form FF**, with FY 27 information from your FB 2025-27 **Form FF** for FY 26, will be available on FAMS. B&F's Office of Federal Awards Management will notify your department via email when your **Form FF** may be updated on FAMS.

All other forms are available on the respective budget systems as indicated in this memorandum and attached instructions.

IV. Due Dates/Other Requirements

Requests will be reviewed by B&F and the Office of the Governor; as such, worksheets and other supporting details should be made available upon request. In addition, the schedule below shall be followed for official submittals.

A. By Monday, October 6, 2025: All budget requests must be submitted via email in PDF format from your department's designated email account to B&F at DBF.DOCS@hawaii.gov. All budget submittals require transmittal memoranda from the respective department head and the following completed tables and forms, as applicable.

1. Operating budget requests:

- Form A
- Form A-Attachment
- Form B
- Form FF

2. CIP requests:

- Table P
- Table Q
- Table R
- Form S-FY 27 Supplemental
- Form CIP Details
- Form PAB
- Form CIP Op
- Form CIP Op B

3. Financial plans to support non-general fund requests are required, as appropriate.

4. Electronic (Excel) files of Forms A, A-Attachment, B, S-FY 27 Supplemental, CIP Details, CIP Op, and CIP Op B reflecting your budget submittal must be transmitted to your B&F analyst, as applicable.

B. By Tuesday, December 2, 2025: The following updates must be completed reflecting the Governor's final supplemental budget decisions:

1. For all departments except DOE, UH, and DOT: All BJ Summary Tables in eBUDDI.
2. For DOE, UH, and DOT: Excel or other electronic files of the BJ Summary Tables as authorized for submittal by B&F.
3. All departments: Budget Narratives updated in eBUDDI.
4. All departments: Tables P, Q, and R updated in eCIP.

Please notify your B&F analyst and Mr. Gregg Hirohata-Goto (gregg.h.hirohata-goto@hawaii.gov) via email when all updates have been completed.

- C. By Tuesday, December 2, 2025: PDF file of Form DMC (additional requirement for deferred maintenance costs) and transmittal memoranda from the respective department head must be submitted from the department's designated email account to B&F at DBF.DOCS@hawaii.gov. The electronic (Excel) file of Form DMC must be transmitted to your B&F analyst.
- D. By Monday, December 8, 2025: Electronic (Excel) files of Forms A, A-Attachment, CIP Details, CIP Op, and CIP Op B, and PDF file of updated and signed Form PAB reflecting the Governor's final supplemental budget decisions must be transmitted to your B&F analyst.
- E. By Monday, December 29, 2025: Updated BJ Details in eBUDDI reflecting the Governor's final supplemental budget decisions, for all departments except DOE, UH, and DOT for which Excel or other electronic files are required.

Please notify your B&F analyst and Mr. Gregg Hirohata-Goto (gregg.h.hirohata-goto@hawaii.gov) via email when these updates have been completed.

As this is a supplemental budget, all budget requests should be focused and limited to those addressing highly critical priorities in light of the limited funding available. We ask for your utmost cooperation in adhering to the specified deadlines, which must be met in order for the supplemental budget to be sent to the Legislature on time.

Attachments:

Attachment 1 – FY 27 Supplemental Budget Ceiling

Form A, A-Attachment and instructions

Form B and instructions

Form S-FY 27 Supplemental and instructions

Form CIP Details and instructions

Form CIP Op and instructions

Form CIP Op B and instructions

Form PAB and instructions

Form DMC and instructions

Form FF and instructions

Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests

Instructions to Update/Delete Supplemental Budget Narratives in eBUDDI

List of "Major, Recurring Federal Awards for State FY 2027"