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October 1, 2025

FINANCE MEMORANDUM MEMO NO. 25-17

TO: All Department Heads

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

SUBJECT: Supplement to Finance Memorandum No. 25-13, FY 27 Budget Policies and Guidelines (Fiscal Biennium 2025-27)

This memorandum supplements Finance Memorandum (F.M.) No. 25-13, FY 27 Budget Policies and Guidelines (Fiscal Biennium 2025-27) to provide policies and guidelines for the preparation of supplemental budget requests related to the "Green Fee."

General Background

In 2025, Governor Josh Green, M.D., signed Act 96, which established the "Green Fee" into law. The Green Fee will be funded by a 0.75% increase to the Transient Accommodations Tax (TAT), bringing the total TAT rate to 11%, effective January 1, 2026. For the first time, Act 96 also levies the TAT on cruise ships docking in Hawaiʻi's ports, which will also support the Green Fee.

Following the devastating Maui wildfires and in response to the increasing frequency and intensity of natural disasters across Hawaiʻi and the nation, Governor Green established the Climate Advisory Team (CAT) in 2024. Led by Chris Benjamin and comprised of leaders from across sectors, the CAT was tasked with developing community-informed policy recommendations. One of the key recommendations made by the CAT was to establish a dedicated source of funding for climate change mitigation and disaster resilience, with the TAT identified as a potential revenue source.

The Green Fee is a designated portion of the TAT dedicated to funding environmental conservation, climate resilience, and sustainable tourism projects statewide. Based on the Department of Taxation estimates, the Green Fee is expected to generate approximately $42 million in FY 26 and $87 million in FY 27.

Project Transparency

The Green Fee Advisory Council (GFAC) was established to ensure a thorough, equitable, and transparent evaluation of projects for potential Green Fee funding. Guided by principles of fairness, equity, and balance, the Council plays a critical role in shaping how funds are allocated to achieve meaningful community benefits and strengthen Hawaiʻi's environmental resilience.

Composed of representatives from a broad range of stakeholders, the GFAC collaborates to provide strategic guidance and recommendations so that the Green Fee resources are directed toward initiatives that reflect community priorities and the intent of Act 96. The Council's approach emphasizes equitable distribution of funds across the Legislature's three priority areas — environmental stewardship, climate and hazard resilience, and sustainable tourism — while centering the needs of Hawaiʻi's people and ʻāina.

Role of the Advisory Council

The GFAC follows a collaborative and deliberative process that balances community input, consultation with State agencies, and compliance with statutory requirements. Its responsibilities include:

- **Developing clear evaluation criteria** for potential projects, focusing on impact, feasibility, cost-effectiveness, and alignment with Act 96.

- **Reviewing and prioritizing proposals** to provide the Governor with a recommended list of projects and an accompanying budget for inclusion in the FY 27 Supplemental Budget request.

The Legislature will consider these recommendations during the State's annual budget process and ultimately decide on appropriations. Act 96 requires that the Green Fee revenues be appropriated to State agencies and departments — not directly to nonprofits or private companies.

Highly Critical Priority Program Needs

As stewards of public funds, we must ensure that State resources are used strategically and effectively to achieve the goals of the Green Fee Program. Act 96 requires that the Green Fee funds support three key categories at the intersection of Hawaiʻi's environment, climate crisis, and visitor impacts. Each category will receive equal funding to ensure fair prioritization:

1. **Environmental Stewardship** – Projects that protect and restore Hawaiʻi's natural resources, including coverage of native flora and fauna.

2. **Climate and Hazard Resilience** – Projects that harden infrastructure, such as those that mitigate wildfire and flood risks.

3. **Sustainable Tourism** – Projects that support destination management, beach nourishment, and park improvements.

As directed by Act 96, beginning July 1, 2025, the Governor must request, through the Executive Budget or Supplemental Budget, general funds approximating the additional TAT revenue generated for the Green Fee for projects that support the categories outlined above. As such, departments should take a close look at their Supplemental Budget requests and align appropriate proposals with the Green Fee Program objectives, emphasizing projects that deliver the greatest impact for Hawaiʻi's people and environment.

Proposals should focus on projects that advance existing State priorities and can be executed within the required timeframe. Departments are encouraged to eliminate barriers to implementation, leverage partnerships with other agencies and community organizations, and seek innovative approaches that maximize the value of every dollar spent. Program sustainability and efficiency should be prioritized, with proposals that demonstrate measurable outcomes and the ability to meet key milestones on time.

Green Fee Budget Requests

1. Operating or capital improvement program (CIP) budget requests for FY 26 or FY 27 may be made for projects in the following categories. The request category shall be indicated on the appropriate forms using the codes below.

   - Environmental Stewardship (ES)

   - Climate and Hazard Resilience (CH)

   - Sustainable Tourism (ST)

2. Operating requests shall be prepared as follows. Refer to F.M. No. 25-13 for instructions on how to complete standard forms (i.e., without the Green Fee designation and categories).

   - Use **Form A-GF** *(Operating Budget Adjustment Request – Green Fee)* to request FY 26 or FY 27 budget adjustments eligible for the Green Fee funding in the categories listed in Item No. 1 at the Program ID/Organization Code level.

   - Use **Form B-GF** *(Department Summary of Operating Budget Adjustment Requests – Green Fee)* to summarize all the Green Fee budget adjustment requests. All requests shall be listed sequentially using unique priority numbers.

   - Update **BJ Summary Tables**.

   - Prepare **Budget Narratives**.

3. CIP requests shall be prepared as follows. Refer to F.M. No. 25-13 for instructions on how to complete standard forms (i.e., without the Green Fee designation and categories).

    - Use **Table P-GF** *(Capital Project Details – Green Fee)* to request FY 26 or FY 27 budget adjustments eligible for the Green Fee funding in the categories listed in Item No. 1 at the Program ID level.

    - Use **Table Q-GF** *(Capital Project Details – Green Fee)* to provide project schedule, expenditures, and other information for each respective CIP request.

    - Use **Table R-GF** *(Capital Project Information and Justification Sheet – Green Fee)* to provide narrative project information and justification for each respective CIP request.

    - Use **Form S-GF FY 27 Supplemental** *(Summary of Current Executive Budget and New CIP Requests – Green Fee)* to summarize all Green Fee budget adjustment requests. All requests shall be listed sequentially using unique priority numbers.

    - Provide operating cost information in **Table R-GF**, **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.

Electronic Forms and Due Date

Excel files of the necessary forms will be emailed to your Administrative Services or Budget Officer by your Department of Budget and Finance (B&F) analyst.

All budget requests proposed to be funded by the Green Fee must be submitted via email in PDF format from your department's designated email account to B&F and the Governor's Office at DBF.DOCS@hawaii.gov and Gov.Policy@hawaii.gov, respectively, by **Wednesday, October 15, 2025**. All budget submittals require transmittal memoranda from the respective department head. Completed Excel forms, reflecting your budget submittal, must also be transmitted with your budget requests.

Given the abbreviated turnaround time, your prompt attention to this matter is appreciated. Should you have any questions, please contact your B&F analyst.

Attachments