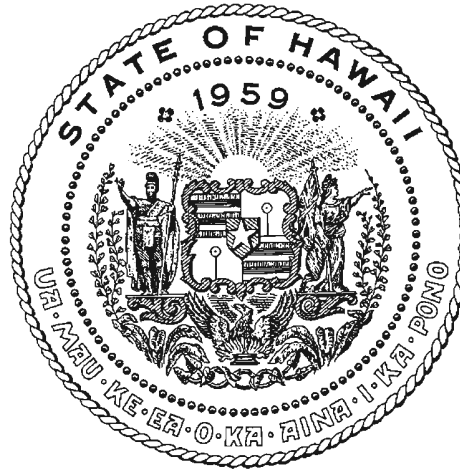


# **STATE OF HAWAII**



## **EXECUTIVE SUPPLEMENTAL BUDGET (Budget Period 2025-2027)**

Submitted to the Thirty-Third State Legislature  
December 22, 2025

EXECUTIVE CHAMBERS  
State Capitol  
Honolulu, Hawai'i 96813

**GOVERNOR'S MESSAGE TO THE  
33rd STATE LEGISLATURE OF HAWAII  
MEETING IN THE REGULAR SESSION OF 2026**

In compliance with Article VII, Section 9, of the Hawai'i State Constitution, I hereby submit to the State Legislature the Executive Supplemental Budget for Fiscal Biennium (FB) 2025-27 and the updated Program and Financial Plan for the Period 2025-31.

**OVERVIEW**

These times are unprecedented but, in the face of adversity, we are resilient. The state continues to take the actions needed to ensure that Hawai'i's people can thrive. As we do in Hawai'i, we take care of our 'ohana.

Across the nation, evolving federal policies have presented new complexities for states, requiring ongoing adjustments and careful planning to navigate economic trends. While we cannot control what happens at the federal level, we can control how we respond here at home.

The recent federal government shutdown – the longest in history – forced our nation to address financial instability and food insecurity in our communities. When delays in Supplemental Nutrition Assistance Program (SNAP) funding threatened support for our most vulnerable residents, we acted quickly by launching the Hawai'i Relief Program to provide immediate aid for food, rent and utilities. Backed by \$140 million in Temporary Assistance for Needy Families and state funds, the program provided urgent support to families and kūpuna in need.

Within weeks, food assistance was delivered directly onto SNAP benefit cards a full four days earlier than projected, reaching households without delay. Additional support was also provided to our local food banks so that the broader community could access additional help. At the same time, the Legislature worked diligently to disburse \$50 million in funding directly to community nonprofits, enabling them to sustain essential services despite federal funding cutbacks.

While the most recent federal shutdown is over, there is still looming federal uncertainty. The federal landscape has changed, and many costs that previously were funded by the federal government are being charged to the states. H.R. 1 – One Big Beautiful Bill Act, signed by President Trump earlier this year, shifts many costs related to Medicaid and SNAP to the state to absorb. These social safety net programs are critical to sustain as many in our community rely on them, and therefore, we have prioritized state funding to implement the changes required to support these programs so that they can continue to serve those in need.

As the situation remains fluid, we must continue to monitor and adapt to changing federal policies on all levels to ensure that Hawai'i's families and kūpuna are supported. We must be prepared to use state funds for priority areas that may be reduced by the federal government.

In this light, the Executive Supplemental Budget Request considers the revenue impacts from federal policy changes and proposes to add a very limited amount of general funds to the state's FY 27 operating budget. As Act 250, SLH 2025, already appropriates more in general funds in the current FY 27 operating budget than the FY 26 operating budget,

departments were advised to work within their existing budgets to fund priority programs and services.

### **Taking Care of Hawai'i's Families**

While federal policy changes may continue to create uncertainty or reduce funding in some areas, one area of significant investment is Rural Healthcare through the Rural Health Transformation Fund. This program is expected to deliver between \$150 million and \$200 million annually to Hawai'i over the next five years. Our proposal to the federal government outlines a bold vision for these funds: expanding telehealth in rural communities, improving access to care, and addressing physician and medical professional shortages to ensure that residents in every corner of our state receive the quality healthcare they deserve.

We must also ensure that residents and visitors on the neighbor islands have sufficient access to emergency medical services. Thus, we have requested \$8.1 million in general funds for FY 27 to meet increases in service contracts for 911 emergency ground ambulance and aeromedical ambulance service for the Counties of Kaua'i and Maui.

Improving the availability of mental health care remains a priority for my Administration. The Department of Health (DOH) collaborates with community partners, schools and healthcare providers to expand access to mental health services across the islands, with a focus on prevention, early intervention and equity. Every resident deserves access to the mental health care they need, when and where they need it.

The Hawai'i State Hospital provides inpatient psychiatric services for court-ordered individuals within a safe and therapeutic environment. The Executive Supplemental Budget requests \$8 million in general funds for FY 27 for contracts for psychiatric beds, for overtime and to cover the shortfall for other payroll costs. We have also requested to add 35.00

permanent full-time equivalent (FTE) positions and trade-off \$2.6 million in general funds in FY 27 to fund constitutionally mandated Mental Health Services positions for the Department of Corrections and Rehabilitation (DCR).

Medicaid, jointly funded by states and the federal government, provides health coverage to eligible low-income adults, children, pregnant women, elderly adults and people with disabilities. Due to expected increases in health care payment capitation expenditures, the FY 27 Executive Supplemental Budget requests \$45 million in general funds and \$65.4 million in federal funds to maintain access to care.

H.R. 1 made significant changes to Medicaid policy with implications to eligibility, coverage and access to healthcare services. To implement these requirements, we have requested \$30 million in general funds and \$30 million in federal funds in FY 27 for system upgrades to the Department of Human Services' existing eligibility system, KOLEA, as well as the Hawaii Prepaid Medical Management Information System and staff augmentation.

In addition, H.R. 1 also changed the federal government's share of administrative costs for SNAP from 50% to 25%, starting in federal FY 27. Consequently, the Executive Supplemental Budget seeks to change the means of financing (MOF) for 101.53 FTE permanent positions from federal to general funds, add \$13,423,792 in general funds and reduce \$13,798,105 in federal funds to offset the reduction of federal matching funds for SNAP administrative expenses in FY 27.

The high cost of living in Hawai'i – driven by soaring housing prices – remains one of the greatest challenges facing our residents. With one of the most expensive housing markets in the world, these costs touch every household and strain families across the state.

The affordable housing crisis is far-reaching: it affects low-income families who rely on subsidized public housing, but also middle-class residents caught in the gap – earning too much to qualify for government-supported housing, yet too little to afford market-rate rents or mortgages.

To address the severe shortage of affordable housing, my Administration is implementing a three-point plan of action. These bold strategies, which have already begun paying dividends, include:

- Building more housing units on state- and county-owned lands;
- Eliminating red tape and costly impact fees that cause long delays and increase the cost of construction; and
- Investing in infrastructure to boost housing capacity.

At the beginning of the year, my housing team identified more than 47,000 affordable housing units in various stages of the development pipeline, including more than 30,000 state-supported units and 10,000 units scheduled to be completed in the next few years. These projects will provide a diverse range of affordable housing solutions – many through private and public sector partnerships – for families and kūpuna across the State.

The Ka Lei Momi Redevelopment Project, launched in July 2023, represents a cornerstone of the Administration's efforts to tackle Hawai'i's housing crisis, transforming many of the state's aging public housing projects – some 70 years or older – into modern, mixed-use apartment complexes for Hawai'i's low-income and working-class families. Of the 10,000 additional units that will be created under the Ka Lei Momi Redevelopment Project, 90% will serve households making at or below 120% of the Area Median Income (AMI).

The largest Ka Lei Momi project – Mayor Wright Homes – will expand the low-density public housing project from 364 units into a 2,448-unit, multiple high-rise, mixed-use community. The Administration is budgeting \$56 million this year to fund the early construction. The project's first phase is estimated to break ground in 2026.

The state's Hawai'i Housing Finance and Development Corporation (HHFDC) has successfully partnered with experienced developers to address the demand for affordable housing. Earlier this year, the first phase of Koa Vista, part of the Koa Ridge master-planned community, was completed in partnership with HHFDC and the City and County of Honolulu. Koa Vista will feature 192 affordable rental units, with the first phase providing 95 rental units for eligible seniors. The second phase, which will offer affordable rentals for qualifying families, is scheduled for completion in 2026.

Nāulu, located across from the Pearl Harbor Naval Shipyard, was also recently completed. As the largest Low-Income Housing Tax Credit development in Hawai'i in the last 15 years, this project will provide affordable studios to four-bedroom units to qualifying households.

Kuilei Place, a new condominium development in Mō'ili'ili, features market-rate and workforce residences, particularly for essential workers, through HHFDC's Dwelling Unit Revolving Fund (DURF) Equity Pilot Program. The project is expected to be completed in 2027, expanding homeownership opportunities for kama'āina by providing over 1,000 one- to three-bedroom homes.

HHFDC has also supported partners' affordable housing projects on the islands of Hawai'i, Kaua'i and Maui, which are already accepting tenants:

- In Hilo, the 92-unit Hale Nā Koa 'O Hanakahi gives priority to seniors (62 and older), U.S. veterans and their spouses.

- In ‘Ele‘ele, Pōhākea and Kō‘ula are the latest segments of the Lima Ola Workforce Housing Development master-planned community, the largest affordable housing project ever undertaken by Kaua‘i County. Lima Ola is expected to add 550 units for sale or rent.
- In Lahaina, Kaiāulu o Kūku‘ia is a 200-unit affordable rental complex that targets families that earn 60% of AMI or less.

To continue these efforts, Act 250, SLH 2025, appropriates \$35 million for Kūpuna Supportive Housing on O‘ahu and \$40 million for a cash infusion to the DURF for FY 2025-27. In addition, \$50 million in both FY 26 and FY 27 was also appropriated for infusions to the Rental Housing Revolving Fund (RHRF), along with \$50 million in both FY 26 and FY 27 for infusions to the RHRF for Tier II projects.

The state must continue to support the advancement and expedited production of affordable housing projects to mitigate other issues such as homelessness, the cost of living and workforce shortages. It is my Administration’s priority to address homelessness quickly and effectively, which is why I issued the first Emergency Proclamation Relating to Homelessness on January 23, 2023. Due to the continuing and significant need for permanent affordable housing, supportive housing, transitional housing and shelter space to protect the health, safety and welfare of individuals experiencing homelessness and for all residents of the state, the proclamation has also been continually renewed.

Together with the Statewide Office on Homelessness and Housing Solutions, we have worked with our community partners, the counties and other government agencies to develop innovative and effective solutions, such as the Kauhale Initiative. This successful program has recently expanded beyond O‘ahu to the neighbor islands with the opening of Kīpūola Kauhale on the island of Maui. Opened in

October 2025, Kīpūola Kauhale provides 64 tiny homes for Maui wildfire survivors and others experiencing homelessness, along with support services like job training, healthcare and counseling. Due to the ongoing need for more kauhale, we have requested \$10.1 million in general obligation (G.O.) bond funds for FY 27 for the development of kauhale projects, statewide.

As a result of a strong partnership between the Department of Human Services and the City and County of Honolulu, Department of Community Services, the Hau‘ula Family Assessment Center (FAC) was unveiled in August 2025 and is available to families in the Ko‘olaupua area as a new place of refuge and support. The FAC offers safe, immediate and low-barrier temporary shelter for families experiencing homelessness.

The FAC also provides families with guidance, resources and connections to benefits such as health coverage, food and financial assistance. This partnership has resulted in the opening of four family shelters within a year and is a great example of what can be accomplished when we work together.

Native Hawaiians suffer disproportionately when it comes to housing burdens and face compounding barriers to accessing affordable housing. Nearly half of the households on the waitlist for Hawaiian homesteads pay more than 30% of their monthly income on housing.

To reduce the decades-long waitlist, which has grown to over 29,000 Kānaka Maoli, the Legislature appropriated \$600 million in Act 279, SLH 2022, to the Department of Hawaiian Home Lands (DHHL). Because the majority of Native Hawaiians on the waitlist are over the age of 60 and are on fixed incomes, DHHL is hoping to deliver more than 7,500 homes and lots, especially for kūpuna, under its five-year plan.

DHHL has made good progress so far by awarding 790 leases for two projects in West O'ahu in March. The leases are part of DHHL's strategy to expedite homesteading opportunities and address the long-standing waitlist and were the first project lease awards in more than two decades. This approach ensures long-term stability as it allows beneficiaries to secure a homestead lot before development is complete and pass their leases to qualified successors.

In addition, 52 DHHL beneficiaries were awarded a home at the Pu'uhona Homestead Project in Wailuku in June. As DHHL's first residential project on Maui in nearly two decades, future phase of this project will add 109 additional new homes.

The project is one of dozens that DHHL is pursuing to fulfill its obligations to its Native Hawaiian beneficiaries. To continue this momentum, we have requested \$23 million in revolving fund ceiling in FY 27 to support the expenditure of funds from the Native American Housing Assistance and Self-Determination Act and \$19.2 million in G.O. bond funds for FY 27 for repair and maintenance of Hawaiian Home Lands Existing Infrastructure, Statewide.

I have long advocated that Hawai'i must invest in sustainable, renewable energy and reduce our dependence on fossil fuels. While we are often on the forefront, Hawai'i cannot do it alone. As a member of the U.S. Climate Alliance, a bipartisan coalition of 25 governors securing America's net-zero future by advancing state-led, high-impact climate action, we are able to leverage the efforts of other states to ensure we move the needle on achieving sustainable and renewable energy goals.

The State of Hawai'i recently joined the Affordable Clean Cars Coalition – a growing partnership among the states to help sustain America's transition to cleaner and more affordable cars, support U.S. automotive manufacturers and workers and to safeguard states' clean air authority. I joined 12 other governors who launched the coalition earlier this year to

continue our efforts for a clean energy future that protects the health of our people despite federal policy changes. The effort is one of several multistate partnerships hosted by the U.S. Climate Alliance.

Access to clean air and clean water is a basic right. The Clean Water State Revolving Fund (CWSRF) was established under the federal "Water Quality Act of 1987" to provide low-interest loans to state and county agencies for water pollution control projects. The Drinking Water State Revolving Fund (DWSRF) provides low-interest loans and grants to public water systems for crucial infrastructure upgrades to ensure safe drinking water. To implement these loan programs, we have requested revolving fund ceilings for FY 27 of \$60 million for the CWSRF Loan Program and \$50 million for the DWSRF Loan Program.

Investing in early education will provide more opportunities for Hawai'i's keiki to have a strong start. A key milestone in advancing this mission is the continued expansion of public pre-kindergarten for 3- and 4-year-olds, a central element of Lieutenant Governor Sylvia Luke's Ready Keiki initiative.

Since the launch of Ready Keiki in January 2023, the Executive Office on Early Learning and its partners have more than tripled the number of public pre-kindergarten classrooms statewide from 37 in 2022 to 117 classrooms across 89 locations today, a testament to their ongoing commitment to a brighter future for Hawai'i's keiki. To expand on this success, we have requested \$27.1 million in G.O. bond funds for Pre-Kindergarten Capacity, Statewide.

Hawai'i's public schools are finding success in innovative ways. The Early College Program gives high school students the opportunity to earn college credit. Earlier this year, a cohort of 13 students from Waipahu High School's 'Ohana of Excellence Academy (OEA) became the first special education class under the Department of Education (DOE) to earn college credit through an Early College course.

Waipahu High School is a nationally recognized wall-to-wall academy high school, distinguished by the highest level of national recognition for its six career academies. The mission of the OEA is to empower students to take charge of their futures and become active members of their communities. All students deserve the opportunity to excel and to have their achievements celebrated.

## **The Green Fee**

When I signed Act 96 into law earlier this year, Hawai'i became the first state in the nation to enact a Green Fee – a dedicated source of funding to support environmental conservation, climate resilience and sustainable tourism projects statewide. It reflects a broader strategy to respond to the growing frequency of natural disasters.

Here in Hawai'i, the natural environment is central to our identity and culture. As an island chain, Hawai'i has unique environmental, cultural and economic concerns. As stewards of these islands, it is our responsibility to safeguard them for future generations, preserve our natural resources and build resiliency now.

In 2024, I established the State's Climate Advisory Team (CAT) in response to the increasing frequency and intensity of natural disasters across Hawai'i and the nation. The CAT brought together leaders across various sectors to develop community-informed policy recommendations. A key recommendation of the CAT was to establish a dedicated source of funding for climate change mitigation and disaster resilience, with the Transient Accommodations Tax (TAT) identified as a potential revenue source.

Effective January 1, 2026, a 0.75% increase to the TAT has been designated to support the Green Fee. Act 96 also levies, for the first time, the TAT on cruise ships docking in Hawai'i's ports, which will also support the Green Fee. Based on

estimates by the Department of Taxation, the Green Fee is expected to generate approximately \$42 million in FY 26 and \$87 million in FY 27.

To ensure a thorough, equitable and transparent evaluation of projects for potential Green Fee funding, the Green Fee Advisory Council (GFAC) was established. The GFAC, composed of representatives from a broad range of stakeholders, collaborates to provide strategic guidance and recommendations to direct Green Fee resources toward initiatives that reflect community priorities and the intent of Act 96. Its approach emphasizes equitable distribution of funds across the Legislature's three priority areas:

1. Environmental Stewardship – Projects that protect and restore Hawai'i'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.

Act 96 requires that the Governor request, through the Executive Budget or Supplemental Budget, funds approximating the additional revenue generated for the Green Fee. As such, the GFAC is responsible to provide the Governor with a recommended list of projects and an accompanying budget for inclusion in the Governor's budget request.

The FY 27 Executive Supplemental Budget currently includes placeholders in the Department of Budget and Finance of \$43.5 million in general funds for FY 27 for operating and \$42 million in FY 26 and \$43.5 million in G.O. bond funds in FY 27 for capital improvement program (CIP) projects to

earmark funding for projects to be funded by the Green Fee. The proposed projects will prioritize program sustainability and efficiency, while demonstrating measurable outcomes and the ability to meet key milestones on time. Ultimately, the Legislature will decide on appropriations through the state's annual budget process.

### **Revenue Projections**

The economic impact of fluctuating federal policies was a key point of consideration by the Council of Revenues (COR) at its September 4, 2025 meeting. While the COR acknowledged the high level of uncertainty regarding federal policy changes, the COR lowered its general fund tax revenue growth forecast for FY 26 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%. In addition, the COR lowered its forecasts for FY 29 from 2.6% to 2.5% and FY 30 from 1.9% to 1.8%, 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 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, regarding individual income tax reductions; Act 47, SLH 2024, regarding general excise tax exemptions of medical and dental services paid with Medicare, Medicaid and TRICARE; Act 58, SLH 2025, regarding the Pass-Through Entity tax add-back; and Act 96, SLH 2025, regarding the establishment of the Green Fee.

### **Budget and Fiscal Considerations**

In developing the Executive Supplemental Budget, we considered the state's current and anticipated fiscal health and the potential impact of all proposed budget requests. To the extent possible, we considered potential stressors to the state's economy which could impact the state's revenues and fiscal well-being.

Administrative Directive No. 25-02, 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 balance of the EBRF is at its highest level. With a balance of \$1.568 billion at the end of FY 25, the EBRF is projected to be 14.4% of FY 25 general fund revenues this fiscal year, which provides a strong reserve for the future.

Through November 2025, preliminary general fund tax revenues for FY 28 have decreased by 10.5%, below the COR's current projection of -4.7%. The one-time boost of \$315 million in estate tax collections in September 2024 contributes significantly to the decline due to the higher base in FY 25. Additionally, the 15.4% decrease in individual income tax (IIT) collections, in large part due to the change in the IIT withholding tables pursuant to Act 46, SLH 2024, also has a substantial impact.



The growth rate of general fund tax revenues is expected to improve after January 2026, when the comparison will start to reflect the IIT withholding changes in both 2025 and 2026 (calendar years).

Actions taken by Congress may impact Hawai'i. Congress has not yet passed a budget for federal FY 26, and the federal government is operating on a continuing resolution that has an expiration date of January 30, 2026. Operating on continuing resolutions can cause uncertainty for federally-funded programs.

However, even if Congress passes a federal budget for FY 26, the state must be prepared to assume costs for services which the state deems critical should the federal government reduce or discontinue funding or shift costs to the state. This uncertainty has economic consequences as our residents rely on federal programs daily.

Recent events such as the pandemic and the 2023 wildfires have made it abundantly clear how quickly things can change. We are cautiously optimistic about Hawai'i's economy but many potential challenges remain. As such, we must be prepared to handle fiscal challenges that come our way and will be closely monitoring general fund revenues in the months to come.

## **The Economy**

Based on the most recent developments in the local and national economy, the Department of Business, Economic Development and Tourism (DBEDT) expects 1.6% growth in Hawai'i's economy in 2025 and 1.5% growth in 2026. The growth of the construction industry continues. The outlook for the industry 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 outpaced annual inflation.

Visitor arrivals are nearly flat but visitor spending has been strong, with spending up 5% on the year. Although the softness in visitor arrivals is expected to continue, Hawai'i is attracting a higher-spending visitor demographic, which bodes well for growth in visitor expenditures.

The state's preliminary seasonally adjusted unemployment rate has steadily improved in 2025. From January through August 2025, the unemployment rate decreased from 3.0% to a preliminary rate of 2.7%, the lowest rate since the pandemic and is one of the lowest rates in the country.

DBEDT projects subdued growth in 2026 followed by steady recovery. Compared to DBEDT's second and third quarter projections, Hawai'i's economic outlook improved due to robust visitor expenditures, lower-than-expected inflation, a healthy labor market and stronger-than-expected national economic performance. Near-term growth is expected to be below trend due to the impacts of tariffs, overall policy uncertainty and sluggish visitor arrivals.

## **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 plan, land acquisition, design, construction, and equipment and furnishing.

Thus, the Executive Supplemental Budget includes all appropriations from Act 250, SLH 2025, the General Appropriations Act. To meet the requirements of Section 37-71, HRS, we have also designated the funding for CIP projects included in the Executive 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.

## **THE FY 27 EXECUTIVE SUPPLEMENTAL BUDGET**

### **Budget Approach and Priorities**

As managers of the public's funds, it is our responsibility to make the best use of the state's resources, especially during uncertain times. My Administration's core priorities remain the same: improving healthcare access and outcomes, reducing homelessness, building affordable housing, investing in climate resiliency, education, strengthening our economy and reducing the cost of living for our residents.

This budget reflects a continuation of investing in these priority areas for the state, while exercising fiscal prudence to account for the uncertainty at the federal level and the slowdown of Hawai'i's economy.

In addition to submitting Executive Supplemental Budget requests to support our priorities in FY 2025-27, we will be submitting emergency appropriation bills for FY 26 which total \$137 million in general funds, including funding for \$98.9 million (subject to change based on updated estimates) for temporary hazard pay. These appropriations are necessary to provide critical support for the respective programs this fiscal year.

The Executive Supplemental Budget contains operating and CIP requests for FY 26 and FY 27 that propose changes and adjustments to Act 250, SLH 2025, including transfers (operating only), which authorized funding for the two-year fiscal period that began on July 1, 2025 and ends on June 30, 2027. We will also be proposing to reinstate standard operating and CIP provisions necessary for effective and efficient implementation of the budget.

	<u>FY 26</u> <u>Appropriations</u> (\$million)	<u>FY 26</u> <u>Adjustments</u> (\$million)	<u>FY 26</u> <u>Requests</u> (\$million)
Operating Budget			
All (MOF)	19,880.5	-149.5	19,731.0
General Funds	10,533.5	-149.5	10,484.0
CIP Budget			
All MOF	3,379.6	42.0	3,421.6
G.O. Bond Funds	1,428.1	42.0	1,470.1
G.O. Reimbursable Bond Funds	.....	.....	.....

	<u>FY 27</u> <u>Appropriations</u> (\$million)	<u>FY 27</u> <u>Adjustments</u> (\$million)	<u>FY 27</u> <u>Requests</u> (\$million)
Operating Budget			
All MOF	19,710.9	646.3	20,357.2
General Funds	10,590.0	-1.6	10,588.4
CIP Budget			
All MOF	2,331.3	1,967.3	4,298.6
G.O. Bond Funds	423.0	903.8	1,326.8
G.O. Reimbursable Bond Funds	.....	.....	.....

### **The Operating Budget**

The Executive Supplemental Budget includes amendments for FY 26 that total -\$149.5 million and FY 27 that total \$646.3 million from all MOF for operating costs. This represents a decrease of less than 1% compared to FY 26 and an increase of 3% compared to FY 27 appropriations in the FB 2025-27 Executive Budget (Act 250, SLH 2025).

FY 27 Executive Supplemental Budget identifies a significant amount of savings for fixed costs:

- Reduces a total of \$149,343,339 in FY 26 and \$137,645,137 in FY 27 for debt service payments.
- Reduces a total of \$2,982,905 for health premium payments.

Due to the limited amount of general fund requests, other significant requests are highlighted in prior relevant sections. Additional information on funding distribution by MOF and department may be found in the forthcoming sections.

### **The Capital Improvement Program Budget**

The Executive Supplemental Budget includes amendments for FY 26 that total \$42 million and FY 27 that total \$1.967 billion from all MOF for CIP costs. This represents increases of 1% and 84% compared to FY 26 and FY 27 appropriations from Act 250, SLH 2025, respectively.

As the state currently faces a downturn in general fund revenues, the FY 27 Executive Supplemental Budget proposes to lapse \$35 million in general funded FY 25 and FY 26 CIP appropriations from Act 164, SLH 2023, as amended by Act 230, SLH 2024, to convert them to FY 27 G.O. bond funded CIP appropriations, including, but not limited to, the following:

- \$10.5 million for Lump Sum Maintenance of Existing Facilities, Statewide, for the Department of Accounting and General Services, Public Works Division.
- \$2 million for DOH Improvements, Statewide.
- \$12 million for Lump Sum Maui Health System, Facilities Repair, Renovations and Upgrades, Maui and Lānaʻi.

- \$2 million for Deep Monitor Wells, Statewide, for the Department of Land and Natural Resources (DLNR).
- \$2.5 million for Waimānalo Pathways, O‘ahu, for DLNR.

Significant requests for priority areas include the following (FY 27 G.O. bond funds unless otherwise noted except for requests listed under Transportation, which are FY 27 revenue bond funded unless otherwise noted). Additional information on funding distribution by MOF and department may be found in the forthcoming sections.

#### Health

- Adds \$9.4 million for Waimano Ridge, Kamauleule Building Renovation, Phase 1, O‘ahu.
- Adds \$50 million for West Hawai‘i Medical Office Building, Hawai‘i.
- Adds \$6.5 million for Hilo Benioff Medical Center, Plumbing Repairs and Renovations in the Acute Facility and Emergency Room Heat, Ventilation, and Air Conditioning, Hawai‘i.

#### Homelessness

- Adds \$10.1 million for Kauhale Development Projects Lump Sum, Statewide.

#### Economy

- Adds \$15 million for Royal Kunia Agricultural Park, O‘ahu.
- Adds \$15 million for Wahiawā Dam Improvements, O‘ahu.
- Adds \$9.3 million for Kōke‘e Ditch Irrigation System, Kaua‘i.

- Adds \$10 million for Seawater Pipeline Removal, Hawai‘i.
- Adds \$60 million in G.O. bond funds and \$21 million in special funds for Hawai‘i Convention Center Improvements, O‘ahu.

#### Environment

- Adds \$8.5 million in G.O. bond funds and \$500,000 in federal funds for State Parks Infrastructure Improvements, Lump Sum, Statewide.
- Adds \$42 million in FY 26 and \$43.5 million in FY 27 to earmark funding for projects to be funded by the Green Fee.

#### Education

##### *Lower Education*

- Adds \$146 million for Lump Sum CIP – Capacity for DOE Schools, Statewide.
- Adds \$40 million for Lump Sum CIP – Deferred Maintenance Projects for DOE Schools, Statewide.
- Adds \$40 million for Lump Sum CIP – Health and Safety for DOE Schools, Statewide.
- Adds \$30 million for Preventative Maintenance for DOE Schools, Statewide.
- Adds \$27.1 million for Lump Sum CIP – Pre-Kindergarten Capacity, Statewide.

### *Higher Education*

- Adds \$65 million for University of Hawai'i (UH) System, Renew, Improve, and Modernize, Statewide.
- Adds \$20 million for Community Colleges System (CCS), Capital Renewal and Deferred Maintenance, Statewide.
- Adds \$20 million for CCS, Minor CIP for the Community Colleges, Statewide.
- Adds \$9.5 million for UH, Hilo, Renew, Improve, and Modernize, Hawai'i.
- Adds \$7.3 million for UH, Mānoa Campus, Athletic Facilities Improvements, O'ahu.
- Adds \$7 million for UH at Mānoa, Waikīkī Aquarium, O'ahu.
- Adds \$5.5 million for UH, Hilo, Student Housing, Hawai'i.

### *Youth Challenge*

- Adds \$7 million for Youth Challenge Academy B1786 and B1787 Upgrades and Improvements, O'ahu.

### Hawaiian Home Lands

- Adds \$19.2 million for Lump Sum Repair and Maintenance – Hawaiian Home Lands Existing Infrastructure, Statewide.

### Public Safety

- Adds \$7.4 million in G.O. bond funds and \$16.6 million in other federal funds for Upgrades and Improvements to Hawai'i Army National Guard Facilities, Statewide.
- Adds \$15 million for DCR General Administration, Lump Sum CIP, Statewide.
- Adds \$15 million for New Kaua'i Community Correctional Center and Community Transitional Center, Kaua'i.
- Adds \$8 million for DCR Facility-Wide Security Perimeter Fence Repairs, Upgrades and Related Improvements, and Deferred Maintenance, Related Support and Improvements, Statewide.
- Adds \$7.5 million in G.O. bond funds and \$7.5 million in matching county funds for Emergency Response and Community Center, Hawai'i.

### Maui Wildfires

- Adds \$12.5 million for Lahaina Small Boat Harbor, Lump Sum Improvements for Rebuild Post-Wildfire, Maui.

### Transportation

- Adds \$188.6 million for Daniel K. Inouye International Airport, Airport Improvements, O'ahu.
- Adds \$82.8 million for Ellison Onizuka Kona International Airport at Keāhole, Airport Improvements, Hawai'i.
- Adds \$11 million for Airfield Improvements, Statewide.

- Adds \$10.5 million for Airport Development, Statewide.
- Adds \$9.5 million for Kahului Airport, Airport Improvements, Maui.
- Adds \$11.4 million for Hāna Airport, Airport Improvements, Maui.
- Adds \$383.5 million (\$76.7 million in revenue bond funds and \$306.8 million in federal funds) for Honoapiʻilani Highway Coastal Mitigation, Honoapiʻilani Highway, from Ukumehame to Launiupoko, Maui.
- Adds \$127.6 million (\$32.5 million in revenue bond funds and \$95.1 million in federal funds) for Highway Traffic Operational Improvements, Statewide.
- Adds \$48.4 million (\$10 million in revenue bond funds and \$38.4 million in federal funds) for Waiʻanae Coast Farrington Highway Improvements, Oʻahu.
- Adds \$25.8 million (\$5.2 million in revenue bond funds and \$20.7 million in federal funds; total differs due to rounding) for Highway Tunnel Program, Statewide.
- Adds \$14.0 million (\$0.8 million in special funds, \$2 million in revenue bond funds and \$11.2 million in federal funds) for Electric Vehicle Facilities, Statewide.

#### Effective, Efficient, and Open Government

- Adds \$20 million for Lump Sum Maintenance of Existing Facilities, Statewide.

### MOVING FORWARD WITH RESILIENCE

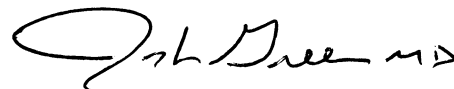
Going into the new year, we know there will be more challenges ahead. We expect that there will be more reductions to federal funds and changes to federal policy.

We have all seen how situations can change quickly, even overnight. Our Administration will continue to tackle these challenges head on while working to fulfill our commitments to Hawaiʻi's people, to our islands and to future generations.

Our work to improve Hawaiʻi's cost of living will continue – we are committed to making Hawaiʻi a place where our families and kūpuna can live with dignity and security. We are investing in our environment to ensure that future generations can live, learn and thrive in the Hawaiʻi we all love. Working with our communities, we are building a legacy of sustainability and stewardship.

We are stronger and more resilient when we work together. In these challenging times, we must uplift each other through kindness, honesty and aloha. We look forward to working with the Legislature during the 2026 Legislative Session for the people of Hawaiʻi.

Sincerely,



JOSH GREEN, M.D.  
Governor of Hawaiʻi

## APPENDIX TO THE GOVERNOR'S MESSAGE

### A. THE FY 27 EXECUTIVE SUPPLEMENTAL BUDGET RECOMMENDATIONS

#### THE OPERATING BUDGET

##### General Funds

For **FY 26**, total proposed general fund adjustments to the operating budget amount to a net decrease of \$149.5 million, or 1.4% less than the current appropriation level of \$10.534 billion. The recommended general fund amount for FY 26 is \$10.384 billion.

For **FY 27**, total proposed general fund adjustments to the operating budget amount to a net decrease of \$1.6 million, or 1% less than the current appropriation level of \$10.590 billion. The recommended general fund amount for FY 27 is \$10.588 billion.

##### All Means of Financing

For **FY 26**, total proposed adjustments to the operating budget amount to a net decrease of \$149.5 million, or 1% less than the current appropriation level of \$19.881 billion. The recommended amount for all means of financing (MOF) for FY 26 is \$19.731 billion.

For **FY 27**, total proposed adjustments to the operating budget for all MOF amount to a net increase of \$646.3 million, or 3.3% more than the current appropriation level of \$19.711 billion for all MOF. The recommended amount for all MOF for FY 27 is \$20.357 billion.

Breakdowns by MOF are as follows:

Means of Financing	FY 26 Act 250/2025 Appropriation (\$)	FY 26 Proposed Adjustment (\$)	FY 26 Recommended Appropriation (\$)
General Funds	10,533,526,869	(149,543,339)	10,383,983,530
Special Funds	4,299,832,113	.....	4,299,832,113
Federal Funds	3,593,772,273	.....	3,593,772,273
Other Federal Funds	301,427,907	.....	301,427,907
Private Contributions	903,067	.....	903,067
County Funds	.....	.....	.....
Trust Funds	429,002,313	.....	429,002,313
Interdept. Transfers	99,787,264	.....	99,787,264
Revolving Funds	591,518,464	.....	591,518,464
Other Funds	<u>30,773,357</u>	<u>.....</u>	<u>30,773,357</u>
Total	19,880,543,627	(149,543,339)	19,731,000,288
Means of Financing	FY 27 Act 250/2025 Appropriation (\$)	FY 27 Proposed Adjustment (\$)	FY 27 Recommended Appropriation (\$)
General Funds	10,589,981,757	(1,613,800)	10,588,367,957
Special Funds	4,126,532,651	156,928,505	4,283,461,156
Federal Funds	3,576,217,392	100,696,447	3,676,913,839
Other Federal Funds	284,784,097	8,841,165	293,625,262
Private Contributions	903,067	.....	903,067
County Funds	.....	.....	.....
Trust Funds	429,146,032	139,598	429,285,630
Interdept. Transfers	99,787,264	(212,095)	99,575,169
Revolving Funds	577,783,900	377,882,669	955,666,569
Other Funds	<u>25,727,960</u>	<u>3,650,806</u>	<u>29,378,766</u>
Total	19,710,864,120	646,313,295	20,357,177,415

The distribution by department and the significant changes in the Operating Supplemental Budget by department are presented in the sections that follow.

## THE CAPITAL IMPROVEMENT PROGRAM BUDGET

### General Obligation Bond Funds

For **FY 26**, total proposed capital improvement program (CIP) adjustments for general obligation (G.O.) bond funds amount to a net increase of \$42 million, 2.9% more than the total of the current G.O. bond fund appropriation level of \$1.428 billion. The recommended G.O. bond fund amount for FY 26 is \$1.470 billion. There was no G.O. reimbursable (G.O.R.) bond fund appropriation or proposed adjustment for FY 26.

For **FY 27**, total proposed CIP adjustments for G.O. bond funds amount to a net increase of \$903.8 million, or 213.7% more than the total of the current G.O. bond fund appropriation level of \$423.0 million. The recommended G.O. bond fund amount for FY 27 is \$1.327 billion. There was no G.O.R. bond fund appropriation or proposed adjustment for FY 27.

### All Means of Financing

For **FY 26**, total proposed CIP adjustments for all MOF amount to a net increase of \$42 million, or 1.2% of the current level for all MOF of \$3.380 billion. The recommended amount for all MOF for FY 26 is \$3.422 billion.

For **FY 27**, total proposed CIP adjustments for all MOF amount to a net increase of \$1.967 billion, or 84.4% of the current level for all MOF of \$2.331 billion. The recommended amount for all MOF for FY 27 is \$4.299 billion.

Breakdowns by MOF are as follows:

Means of Financing	FY 26 Act 250/2025 Appropriation (\$)	FY 26 Proposed Adjustment (\$)	FY 26 Recommended Appropriation (\$)
General Funds	.....	.....	.....
Special Funds	86,917,000	.....	86,917,000
G.O. Bond Funds	1,428,063,000	42,000,000	1,470,063,000
G.O.R. Bond Funds	.....	.....	.....
Revenue Bonds	755,024,000	.....	755,024,000
Federal Funds	719,392,000	.....	719,392,000
Other Federal Funds	62,723,000	.....	62,723,000
Private Contributions	32,000	.....	32,000
County Funds	26,200,000	.....	26,200,000
Trust Funds	.....	.....	.....
Interdept. Transfers	.....	.....	.....
Revolving Funds	.....	.....	.....
Other Funds	<u>301,200,000</u>	<u>.....</u>	<u>301,200,000</u>
Total	3,379,551,000	42,000,000	3,421,551,000
Means of Financing	FY 27 Act 250/2025 Appropriation (\$)	FY 27 Proposed Adjustment (\$)	FY 27 Recommended Appropriation (\$)
General Funds	.....	.....	.....
Special Funds	179,291,000	28,842,000	208,133,000
G.O. Bond Funds	423,022,000	903,794,000	1,326,816,000
G.O.R. Bond Funds	.....	.....	.....
Revenue Bond Funds	991,790,000	482,033,000	1,473,823,000
Federal Funds	590,424,000	486,512,000	1,076,936,000
Other Federal Funds	121,500,000	22,351,000	143,851,000
Private Contributions	25,032,000	.....	25,032,000
County Funds	.....	7,500,000	7,500,000
Trust Funds	.....	.....	.....
Interdept. Transfers	.....	.....	.....
Revolving Funds	.....	.....	.....
Other Funds	<u>200,000</u>	<u>36,280,000</u>	<u>36,480,000</u>
Total	2,331,259,000	1,967,312,000	4,298,571,000



The distribution by department and the highlights of the CIP requests by department are presented in the sections that follow.

## **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 are within the expenditure ceiling for FY 26 and FY 27.

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

## **C. TAX REFUND OR CREDIT AND DEPOSIT TO THE EMERGENCY AND BUDGET RESERVE FUND**

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 exceeds 5% of general fund revenues for each of the two fiscal years, the Legislature must provide for a tax refund or tax credit to the taxpayers of the State or make a deposit into one or more emergency funds, as provided by law.

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%, 5% of the general fund balance shall be deposited into the Emergency and Budget Reserve Fund.

For FY 24 and FY 25, general fund balances were greater than 5% of general fund revenues. However, it is important to note that the FY 24 and FY 25 general fund balances were adjusted to include certain transactions that were authorized for FY 24 and FY 25 but processed in the subsequent fiscal year. Due to a combination of timing issues with the enactment of the authorizing legislation and accounting system limitations, those transactions were processed in FY 25 and FY 26 but, for the purposes of the general fund financial plan, have been reflected as authorized in FY 24 and FY 25, respectively.

Although the general fund balance exceeded 5% of general fund revenues for FY 23 and FY 24, FY 24 and FY 25 total (tax and non-tax) general fund revenues did not exceed the respective previous year's revenues by 5% or more in two consecutive years. Accordingly, the 2026 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 other post-employment benefit liabilities.

## **D. THE DEBT LIMIT**

Section 13 of Article VII of the Hawai'i State Constitution places a debt limit on G.O. 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 Supplemental Budget (including State guaranties) will not cause the debt limit to be exceeded at the time of each bond issuance.