



EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

April 7, 2026

EXECUTIVE MEMORANDUM

MEMO NO. 26-02

TO: All Department Heads

SUBJECT: Update to Executive Memorandum No. 25-03, FY 26 Budget Execution Policies and Instructions, as Amended – Impact of Providing Disaster Funding Amidst Economic Uncertainty on State Expenditures

The March 2026 Kona Low Weather Event (KLWE) caused significant damage throughout the State. Roads and highways, public infrastructure and buildings, and homes and other private property suffered extensive damage from the rains and catastrophic flooding. Funds must be made available as soon as possible to provide sufficient resources to support the necessary actions to address this public health emergency, including securing infrastructure and supporting the State's recovery from the impact of the KLWE.

The State's immediate funding needs for its response efforts must be addressed despite ongoing economic challenges due to the war in the Middle East, compounded by the constant changes to federal policy. This widespread economic instability is expected to affect the nation's and Hawaii's economy for the foreseeable future.

At its March 10, 2026 meeting, the Council on Revenues (COR) raised its general fund tax revenue growth forecast for FY 26 from -4.7% to -4.5%; however, the forecast still reflects a significant drop in general fund tax revenues compared to last year, acknowledging the high level of uncertainty, in addition to other negative revenue impacts. While the COR maintained its general fund tax revenue growth forecast for the outyears (2.0% for FY 27; 1.9% for FY 28; 2.5% for FY 29; 1.8% for FY 30; 3.1% for FY 31; and 3.4% for FY 32), it recognized that the economic uncertainty at the federal level would influence general fund collections over the next several fiscal years.

Thus far this fiscal year, through February 2026, preliminary general fund tax revenue collections are 5.4% less than the same period of FY 25, lower than the COR's current projection of -4.5%. While we are cautiously optimistic that tax collections will meet the COR's projection by the end of the fiscal year, we must be prudent.

Disaster recovery costs combined with economic instability and the anticipated loss of federal funds over the next several fiscal years place significant pressure on the State's budget. The Administration must continue to monitor and adapt as the availability of funding for State programs fluctuates.

E.M. No. 25-03, FY 26 Budget Execution Policies and Instructions, dated August 18, 2025, as amended by E.M. No. 25-04, Amendments to E.M. No. 25-03, FY 26 Budget Execution Policies and Instructions, dated October 15, 2025, placed a 5% hard restriction and a 5% contingency restriction on the balance of each department's general fund discretionary appropriation (less \$4,000,000) and on appropriations for specific purposes over \$200,000 from Act 250, SLH 2025. Given the current stressors on the State's budget, departments should not expect that these restrictions will be released; instead, departments should review their planned expenditures and find innovative ways to deliver essential services.

Moving forward, we must all take a more critical eye to expenditures to ensure that priority State services continue to be provided. Your prompt attention to this matter is appreciated.

Mahalo,

/s/

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