



EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

June 24, 2026

EXECUTIVE MEMORANDUM

MEMO NO. 26-05

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 27

While the State's economic momentum was hampered by the Kona Low Weather Events in March and April, there continue to be positive signs despite ongoing challenges. The number of visitors to Hawai'i increased slightly through April 2026 compared to the same period last year, with a 2.7% increase year to date. However, total visitor expenditures increased more significantly for the same period with an 8% increase due to a 9.3% increase in daily spending.

Construction remains a bright spot, with large federal contracts, rebuilding after the Maui wildfires, and the development of the New Aloha Stadium Entertainment District expected to sustain the industry for the next several years. While the State's unemployment rate has continued to increase this year – to 2.5% through April 2026 – it remains one of the lowest in the country; however, Hawai'i's economy is vulnerable to the impact of the war in Iran and continuously evolving federal policies.

At its May 26, 2026 meeting, the Council on Revenues (COR) raised its FY 26 general fund tax revenue growth rate forecast from -4.5% to -2.5% and lowered its forecast of 2.0% to 1.0% for FY 27. Lacking new economic information regarding the out-years, the forecasts were not changed: 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.

The negative growth in FY 26 reflects, in part, the higher base in FY 25 from the one-time increase due to the \$315 million estate tax collection in September 2024. In addition, the impact of the Individual Income Tax (IIT) cuts brings down the forecast at an increasing rate through FY 32. The COR's current projections do not, however, take into consideration the bills passed by the 2026 Legislature that may have significant revenue impact once they are enacted and become effective.

The COR's revenue growth projections consider the economic uncertainty brought about by fluctuating federal policy. Hawai'i's economy could be impacted by federal policy decisions regarding tariffs, tax law changes, budget cuts, workforce reductions, cuts to other jobs and programs, and immigration. In addition, the ongoing war in the Middle East has added another level of uncertainty, while other foreign policy disputes could also negatively impact Hawai'i's tourism industry. These factors have created a high level of economic uncertainty for the State.

Through May 2026, preliminary actual cumulative general fund tax revenues are down by 2.7% compared with the same period in FY 25. General Excise and Use Tax and Transient Accommodations Tax (TAT) collections, key indicators of Hawai'i's economy, are up by 4.5% and 5.5%, respectively, compared to the last fiscal year. However, IIT collections have gone down by 5.6%.

Although the COR raised its FY 26 general fund tax revenue growth projection, there are many stressors that could negatively impact general fund revenues. As we approach the new fiscal year with uncertainty over the State's economy, we must be prudent with our expenditures to ensure that there are sufficient projected fiscal year-end general fund balances. Thus, interim first quarter allocations will reflect 5% hard restrictions and 5% contingency restrictions imposed on general fund appropriations from Act 250, SLH 2025.

Going forward, it is in the State's best interest to maintain the 5% hard restrictions and 5% contingency restrictions when full-year allocations are released with the FY 27 budget execution policies after House Bill (H.B.) No. 1800, H.D. 1, S.D. 1, C.D. 1 (H.B. No. 1800), the Supplemental Appropriations Bill, is enacted. Departments should be aware that these restrictions will be applied to the reduced general fund appropriations for FY 27 from H.B. No. 1800.

The following is currently authorized:

1. Continuation of FY 26 budget execution policies (Executive Memorandum (E.M.) No. 25-03, FY 26 Budget Execution Policies and Instructions, dated August 18, 2025, as amended by E.M. No. 25-04, dated October 15, 2025, and E.M. No. 26-04, dated May 22, 2026), except for allocation amounts and as noted in this memorandum, as applicable. Due to the lack of many significant provisos, departments should consult their Department of Budget and Finance (B&F) analyst for appropriate authorization if pertinent provisos are not available.

2. E.M. No. 97-07 shall remain in effect for the capital improvement program.
3. The following FY 27 interim operating allocations are provided:
 - General funds: One quarter of the FY 27 appropriation from Act 250, SLH 2025, less 5% hard restrictions and 5% contingency restrictions, with limited exceptions for programs with fixed costs, entitlements, and statutory requirements.
 - Non-general funds: One quarter of the total FY 27 appropriation.
4. Departments should submit “dummy” first quarter allotments. All dummy Requests for Allotment (Form A-19) should be dated July 1, 2026, or later.
5. Pursuant to Act 215, SLH 2025, Relating to Appropriations, departments that submit Requests for Allotment (Form A-19) that include the transfer of operating appropriations for personal services (“10”) to other current expenses (including equipment and motor vehicles) (“20”), or vice versa, must submit their Report to the Legislature for Cost Element Transfers (see attached Form CET) to B&F with each Request for Allotment (Form A-19) that include such transfers.
6. Chapter 42F operating grant appropriations for FY 27, which will be provided under Section 13.1, Supplemental Appropriations, of Act 250, SLH 2025, as amended by H.B. No. 1800, are not included in departmental operating allocations. E.M. No. 19-03 remains in effect; as such, the department head of the designated expending agency is delegated the authority to approve the expenditure of its respective Chapter 42F operating grant appropriations once H.B. No. 1800 is enacted. Requests for Allotment (Form A-19) to B&F for each Chapter 42F grant with a copy of the department head's approval to expend is required.
7. Act 96, SLH 2025, established the Green Fee as a designated portion of the TAT, dedicated to funding environmental conservation, climate resilience, and sustainable tourism projects statewide. H.B. No. 1800 includes \$42 million in FY 26 and \$87 million in general fund appropriations for deposit into the Department of Land and Natural Resources’ Special Land and Development Fund (SLDF) for Green Fee Projects. Operating special fund ceilings for the SLDF totaling \$129 million in FY 27 have also been included for 92 Green Fee Projects for 11 departments. Instructions for implementation of these projects will be issued under separate cover.

FY 27 budget execution policies and full-year allocations will be issued after the Supplemental Appropriations bill is enacted. Questions on specific policies and procedures should be directed to the B&F analyst assigned to your department.

Mahalo,

/s/

Josh Green, M.D.

Governor, State of Hawai'i

Attachments:

Exhibit 1

Form CET

Form CET (Sample)