

STAND. COM. REP. NO. 3730

Honolulu, Hawaii

APR 10 2026

RE: H.B. No. 1800
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1800, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STATE BUDGET,"

begs leave to report as follows:

The purpose and intent of this measure is to adjust existing appropriations and make additional appropriations to meet fiscal biennium 2025-2027 funding requirements for operations and capital improvement projects of Executive Branch agencies and programs.

Your Committee received testimony in support of this measure from the Civil Air Patrol Hawaii Wing; School Facilities Authority; Stadium Authority; Executive Office on Early Learning, Department of Education; University of Hawaii; Early Learning Board; Department of Labor and Industrial Relations; Kahoolawe Island Reserve Commission; Department of Human Resources Development; Disability and Communication Access Board; Department of Corrections and Rehabilitation; Department of Agriculture and Biosecurity; Department of Transportation; Attorney General; Office of Planning and Sustainable Development; Hawaii State Public Library System; Hawaii Green Infrastructure Authority; Hawaii Housing Finance and Development Corporation; Department of Health; Law Enforcement Standards Board; Department of Taxation; Department of Commerce and Consumer Affairs; Office of Wellness and Resilience; Hawaii Public Housing Authority; Creative

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Industries Division of the Department of Business, Economic Development, and Tourism; Department of Budget and Finance; Office of the Governor; Hawaii Law Enforcement Standards Board; Department of Accounting and General Services; State Public Charter School Commission; Department of Land and Natural Resources; Department of Education; Green Fee Advisory Council; Department of Hawaiian Home Lands; Statewide Office on Homelessness and Housing Solutions; Department of Business, Economic Development, and Tourism; Department of Human Services; Hawaii State Council on Developmental Disabilities; Department of Defense; Department of Parks and Recreation of the City and County of Honolulu; County of Maui Department of Environmental Management; City and County of Honolulu; a member of the Hawaii County Council; County of Kauai; Kua`aina Ulu `Auamo; The Spirit Horse Ranch; Care for `Aina Now Coalition; Hawaii Primary Care Association; Parents and Children Together; West Hawaii Region of the Hawaii Health Systems Corporation; Early Childhood Action Strategy; NELHA; Hawaii Health Systems Corporation; Holomua Collaborative; Marine and Coastal Zone Advocacy Council; HPM Building Supply; Title Guaranty; Mana Up; `Aina Ho`ola Initiative; Re-Use Hawaii; Wastewater Alternatives and Innovations; Catholic Charities Hawai`i; Kupu; Hawaii Technology Development Corporation; Hawaii Green Growth; Friends of Kauai Wildlife Refuges; The Queen's Health Systems; Valley Isle Resort AOA; Global Preservation Initiative; Boys and Girls Club of Hawaii; Hawaii Audubon Society; Malama Pupukea-Waimea; Hawaii Farm Bureau; Oahu Search and Rescue; Hale Kipa, Inc.; Healthcare Association of Hawaii; Ka`ehu; Hawaiian Council; Ho`omalua Ke Kai; Hawaii Leeward Planning Conference; Hawaii Reef and Ocean Coalition; Climate Protectors Hawaii; Enchanted Lake Residents Association; Hawaii State Commission on the Status of Women; Waikiki Beach Special Improvement District Association; True Cost Coalition; Sustainable Coastlines Hawaii; Simonpietri Enterprises LLC; Local Food Coalition; Kahana Bay Steering Committee; AlohaCare; Hi`ipaka LLC; Hawaii Youth Services Network; Hawai`i Childrens Action Network Speaks!; Climate Hawaii; Hawaii Search and Rescue Alliance; and numerous individuals.

Your Committee received testimony in opposition to this measure from Hawaii Unites and numerous individuals.

Your Committee received comments on this measure from the Business Development and Support Division of the Department of



Business, Economic Development, and Tourism; Hawaii Tourism Authority; Kamehameha Schools; Trust for Public Land; American Council of Engineering Companies of Hawaii; The Nature Conservancy; Greenpeace Hawaii; Grassroot Institute of Hawaii; and numerous individuals.

PART I. OVERVIEW

This measure, as introduced and transmitted to the Legislature in Governor's Message No. 1, included:

- (1) The base budget from Act 250, Session Laws of Hawaii 2025;
- (2) The reduction of line-item vetoes from Act 250, Session Laws of Hawaii 2025, in accordance with Governor's Message No. 1345;
- (3) The transfer of the Hawaii Broadband Office from the Department of Business, Economic Development, and Tourism to the Department of Accounting and General Services, pursuant to Act 201, Session Laws of Hawaii 2025; and
- (4) The adjustments as detailed in Finance Memorandum No. 25-24.

Governor's Message No. 2, dated January 30, 2026, proposed changes to the Fiscal Biennium 2025-2027 Executive Supplemental Budget for the operating budget requests for the Departments of Agriculture and Biosecurity; Budget and Finance; Business, Economic Development, and Tourism; Defense; Education; Hawaiian Home Lands; Health; Land and Natural Resources; Law Enforcement; and Transportation; and for the University of Hawaii, increasing the operating budget by \$40,751,907 in general funds for fiscal year 2026-2027.

Governor's Message No. 5, dated March 2, 2026, proposed changes to the Fiscal Biennium 2025-2027 Executive Supplemental Budget for the operating budget requests for the Departments of Human Services, Land and Natural Resources, and Transportation, and for the University of Hawaii, increasing the operating budget



by \$26,500,000 in general funds and \$18,751,096 in special funds for fiscal year 2026-2027.

Governor's Message No. 6, dated March 24, 2026, proposed changes to the Fiscal Biennium 2025-2027 Executive Supplemental Budget for the operating budget requests for the Departments of Agriculture and Biosecurity, and Land and Natural Resources, increasing the operating budget by \$3,000,000 in special funds for fiscal year 2026-2027.

This measure, as received from the House of Representatives Committee on Finance, includes additional budget adjustments and changes made by the House of Representatives Committee on Finance in requests that are detailed in Finance Memorandum No. 25-24 and Governor's Messages No. 2 and 5.

This measure, as amended by your Committee, reaffirms the commitment of the Senate to advance a legislative agenda that protects essential services, supports working families, and ensures a sustainable future for our State. Additional budget adjustments and changes made by your Committee on requests as detailed in Finance Memorandum No. 25-24 and Governor's Messages No. 2, 5, and 6 align with the Senate Majority Priority Package.

The operating budget totals for various versions of House Bill No. 1800 are shown in the table below:

Operating Budget	Fiscal Year 2025-2026		Fiscal Year 2026-2027	
	All Funds	General Funds	All Funds	General Funds
H.B. No. 1800, as introduced	\$19,731,000,288	\$10,383,983,530	\$20,357,177,415	\$10,588,367,957
H.B. No. 1800, as amended by Governor's Message No. 2	\$19,731,000,288	\$10,383,983,530	\$20,357,177,415	\$10,629,119,864
H.B. No. 1800, as amended by Governor's Message No. 5	\$19,731,000,288	\$10,383,983,530	\$20,432,207,841	\$10,655,619,864
H.B. No. 1800, as amended by Governor's Message No. 6	\$19,731,000,288	\$10,383,983,530	\$20,435,207,841	\$10,655,619,864
H.B. No. 1800, as amended in House Draft No. 1	\$19,731,346,448	\$10,382,808,318	\$20,468,952,330	\$10,698,536,208
H.B. No. 1800, as amended in Senate Draft No. 1	\$19,772,640,288	\$10,425,623,530	\$20,138,069,078	\$10,441,628,830



PART II. ECONOMIC OUTLOOK

The Council on Revenues met to forecast revenue growth for the general fund on March 10, 2026. The Council on Revenues increased its forecast by 0.2% for fiscal year 2025-2026. The forecasts for fiscal years 2026-2027, 2027-2028, 2028-2029, 2029-2030, 2030-2031, and 2031-2032 were left unchanged at 2.0%, 1.9%, 2.5%, 1.8%, 3.1%, and 3.4%, respectively.

The revised forecast means an increase in revenues by \$19,949,000, \$20,347,000, \$20,734,000, \$21,253,000, \$21,636,000, \$22,307,000, and \$23,065,000 for fiscal years 2025-2026, 2026-2027, 2027-2028, 2028-2029, 2029-2030, 2030-2031, and 2031-2032, respectively, totaling an increase by \$149,291,000.

The forecasts for the state general fund tax revenues for fiscal years 2025-2026 through 2031-2032 are shown in the table below:

General Fund Tax Revenues						
	September 4, 2025		January 7, 2026		March 12, 2025	
Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year	Amount (in Thousands of Dollars)	Growth From Previous Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2026	\$9,505,375	-4.7%	\$9,505,375	-4.7%	\$9,525,324	-4.5%
2027	\$9,695,483	2.0%	\$9,695,483	2.0%	\$9,715,830	2.0%
2028	\$9,876,069	1.9%	\$9,879,697	1.9%	\$9,900,431	1.9%
2029	\$10,122,139	2.5%	\$10,126,689	2.5%	\$10,147,942	2.5%
2030	\$10,300,648	1.8%	\$10,308,969	1.8%	\$10,330,605	1.8%
2031	\$10,616,265	3.1%	\$10,628,547	3.1%	\$10,650,854	3.1%
2032	\$10,976,895	3.4%	\$10,989,918	3.4%	\$11,012,983	3.4%

Despite the slight increase in revenue projections, there is still a tremendous amount of economic uncertainty that will influence collections over the next several fiscal years, caused by policy changes at the federal level as well as the ongoing war in the Middle East, according to the Council on Revenues report published on March 12, 2026.

According to a report published by the Economic Research Organization at the University of Hawaii, dated February 27, 2026,



a number of federal policy changes have direct effects on Hawaii, primarily through elements of the 2025 "One Big Beautiful Bill Act" (OBBBA) that impact safety net programs like the Supplemental Nutrition Assistance Program and Medicaid. For the Supplemental Nutrition Assistance Program, OBBBA requires Hawaii to broaden and enforce work requirements, which will effectively eliminate program benefits for some households and will shift additional Supplemental Nutrition Assistance Program-related costs to the State. For Medicaid, new federal work requirements and enrollment rules may also reduce coverage.

The March 2026 Kona low weather event caused significant damage throughout the State, increasing the State's economic uncertainty. According to Executive Memorandum No. 26-02, the funding supporting the State's recovery from the impact of the March 2026 Kona low weather event must be made available as soon as possible to provide sufficient resources to support the necessary actions to address this public health emergency. These funding needs must be addressed despite ongoing economic challenges due to the war in the Middle East and compounded by the constant changes to federal policy. On March 23, 2026, a formal request to the President of the United States was submitted for a presidential disaster declaration following these severe storms. According to a letter in support of the request for a presidential disaster declaration from Hawaii's congressional delegation, dated March 24, 2026, damages from the storms are estimated at over \$1,000,000,000 with assessments still in progress.

Besides the consequences of global conflict, changes to federal funding policies, and recovery costs from severe weather events, known liabilities that the State is preparing to pay are as follows:

- (1) The State's obligation for collective bargaining cost items for the members of Bargaining Units (1) and (10) and their excluded counterparts to resolve issues related to temporary hazard pay in an amount no less than \$67,305,287 for fiscal year 2025-2026; and
- (2) The State's obligation to fulfill the debt service, Employee's Retirement System, Employer-Union Health Benefits Trust Fund, and Medicaid requirements for



fiscal years 2025-2026 and 2026-2027, as detailed in the following table:

Fixed Costs (Program ID)	Fiscal Year 2025-2026	Fiscal Year 2026-2027
Debt Service - BUF 721, 725, 728	\$1,130,856,122	\$1,118,403,346
Retirement Benefits - BUF 741, 745, 748	\$1,285,044,848	\$1,291,241,584
Health Benefits - BUF 761, 762, 765, 768	\$1,253,138,546	\$1,245,413,412
Total	\$3,673,039,516	\$3,655,058,342

PART III. APPROACH TO THE SENATE DRAFT

Your Committee has developed a budget that is part of a larger package of systematic reform, long-term investment, and cost-saving measures to increase the resilience of the State, while also delivering on meaningful tax relief to our working families. The budget reflects a multi-pronged approach that captures underutilized funds to prioritize resources for essential public services.

Your Senate Majority has identified the following priorities as areas of focus for the 2026 Regular Session:

- (1) Housing and affordability;
- (2) Workforce development and economic diversification;
- (3) Health care and public safety;
- (4) Education and higher education;
- (5) Food security, agriculture, and environment;
- (6) Infrastructure, transportation, and community support;
and
- (7) Government reform and operations.

In accordance with the priorities set forth by the Senate Majority, your Committee amended this measure to prioritize funding for these critical areas and to reflect a collective



vision grounded in affordability, shared responsibility, and a sustainable future for our State.

Your Committee deployed a number of cost-saving strategies in the budget to prioritize underutilized funds for essential public services. These strategies include reducing lapsed funds based on the average of the last five years, eliminating positions that have been vacant for more than five years, in alignment with the Department of Human Resources Development's Act 57 (2019) report, eliminating vacant positions that are not in active recruitment, and facilitating financial self-sufficiency for authorities and corporations by centralizing administrative services and shifting them to non-general funds. These cost-saving strategies are necessary to preserve future income tax cuts for working families. The amounts of underutilized funds generated by these cost-saving strategies in fiscal year 2026-2027 are summarized in the table below:

Cost Savings	General Funds	All Means of Financing
Lapsed Funds	\$242,000,000	\$242,000,000
Positions vacant for more than five years	\$8,000,000	\$17,000,000
Positions not in active recruitment	\$11,000,000	\$29,000,000
Authorities and Corporations	\$39,000,000	\$39,000,000
Total	\$300,000,000	\$327,000,000

Act 96, Session Laws of Hawaii 2025, increased the transient accommodations tax by 0.75%, bringing the total transient accommodations tax rate to 11%, effective January 1, 2026. These increased revenues establish the "green fee," a designated portion of the transient accommodations tax dedicated to funding environmental stewardship, climate and hazard resilience, and sustainable tourism. Based on the Department of Taxation's estimates, the green fee is expected to generate approximately \$42,000,000 in fiscal year 2025-2026 and \$87,000,000 in fiscal year 2026-2027. Under Act 96, Session Laws of Hawaii 2025, the allowable uses of the special land and development fund were expanded to include green fee projects. To increase accountability and fiscal transparency on utilization of green fee funds, your Committee is appropriating the entire \$42,000,000 estimated revenue in fiscal year 2025-2026 and \$87,000,000 estimated revenue in fiscal year 2026-2027 to the Department of Land and Natural Resources for deposit into the special land and



development fund. A special fund ceiling increase has been authorized for expending agencies for select green fee projects.

PART IV. THE SENATE DRAFT

Housing and Affordability

- Add \$898,000 for Farm to Foodbank programs statewide;
- Increase the teacher housing revolving fund ceiling by \$500,000 for teacher housing cottage repairs;
- Increase federal fund ceiling by \$2,269,311 for rental housing and assistance services; and
- Add 2.00 permanent positions and \$2,270,070 for the Rent Supplement Program for Kupuna.

Workforce Development and Economic Diversification

- Add \$350,000 for a sports and signature events tourism study;
- Add 1.00 permanent position and \$150,000 for an urban pathways coordinator for Na Ala Hele Trails Program;
- Increase various special fund ceilings by \$1,251,000 for internship programs across Department of Transportation; and
- Increase the University of Hawaii tuition and fees special fund ceiling by \$4,169,328 to support culinary programs.

Health Care and Public Safety

- Increase universal immunization purchase special fund ceiling by \$30,000,000 to support start-up costs;
- Add \$6,000,000 for overtime at the Hawaii State Hospital;
- Add \$8,044,600 for psychiatric bed contracts;
- Add \$1,416,250 for the Kahuku Hospital to sustain core clinic services;
- Add \$300,000 for the Wildfire Mitigation Working Group; and
- Add 3.00 permanent positions and \$1,500,000 to strengthen Capitol District security measures, visitor management, and technology upgrades.

Education and Higher Education

- Increase the University of Hawaii tuition and fees special fund ceiling by \$319,000 to add 3.00 positions for the Business Administration Program for University of Hawaii;
- Add \$675,000 for the Community School for Adults statewide;



- Add 2.00 permanent positions for Hawaii early childhood state plan;
- Add 1.00 permanent evaluation specialist II for early learning system coordination;
- Add \$400,000 for the Papahana O Kaiona Alternative Learning Program.

Food Security, Agriculture, and Environment

- Increase the pest inspection, quarantine, and eradication special fund ceiling by \$9,000,000 for biosecurity implementation;
- Add \$18,054,490 for agricultural land and industry protection from invasive species;
- Change means of financing from federal to general funds for 1.00 permanent grant writer;
- Add \$500,000 for coastal resilience; and
- Add \$250,000 for solid waste management.

Infrastructure, Transportation, and Community Support

- Increase the energy security special fund ceiling by \$6,000,000 for continued geothermal exploration;
- Add \$1,100,000 to the Public Utilities Commission for green energy studies;
- Add \$11,636,000 for water systems safety and preparedness; and
- Add \$290,000 for transportation congestion relief study.

Government Reform and Operations

- Increase revolving fund expenditure ceiling for Department of Education by \$7,000,000 for architectural and engineering services to support capital improvement projects and deferred maintenance;
- Add \$3,500,000 for accessible and multilingual emergency communications for the Hawaii Emergency Management Agency;
- Transfer 1.00 permanent position and \$116,265 for a taxation compliance coordinator; and
- Consolidate 11.00 permanent positions, 5.00 temporary positions, and \$1,359,612 from various attached agencies under the Director of Business, Economic Development, and Tourism's office for administrative services.



PART V. CAPITAL IMPROVEMENTS PROGRAM BUDGET

Your Committee has further amended this measure to focus on essentials during this time of uncertainty--health and safety, compliance, infrastructure, and the maintenance and modernization of our State's assets. This measure also reflects the Senate priorities of education and workforce development, affordable housing, environmental sustainability, and economic development and diversification, including agricultural innovations.

Highlights of the budget are:

Housing and Affordability

- \$122,100,000 for various affordable housing and infrastructure projects statewide;
- \$29,450,000 for kupuna supportive housing projects; and
- \$82,500,000 for University of Hawaii student housing solutions.

Health Care and Public Safety

- \$199,593,000 for new outpatient facilities, state medical center repairs, and infrastructure upgrades;
- \$119,970,000 for projects that will improve public safety statewide; and
- \$120,451,000 for projects that will improve the safety of our highways, harbors, and airports.

Education and Higher Education

- \$768,418,000 for Department of Education building improvements, repair and maintenance, new schools and facilities, and upgrades for compliance and code requirements; and
- \$126,204,000 to improve and modernize University of Hawaii facilities across the State.

Food Security and Agriculture

- \$63,250,000 for projects that repair and improve irrigation systems across the State; and
- \$77,450,000 to purchase and improve agricultural lands to improve food security statewide.

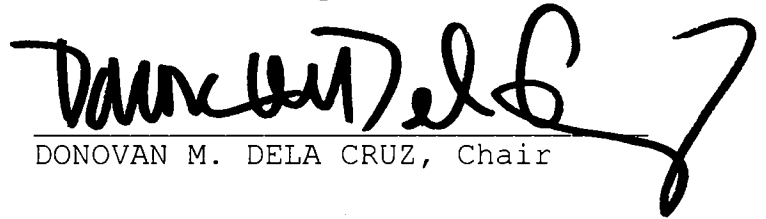
The Senate Draft's capital improvement budget appropriates \$1,428,063,000 in fiscal year 2025-2026 and \$1,280,538,000 in



fiscal year 2026-2027 in general obligation bond funds, and \$3,381,751,000 in fiscal year 2025-2026 and \$4,612,632,000 in fiscal year 2026-2027 in all means of financing.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1800, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1800, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



