JOSH GREEN, M.D.
GOVERNOR

KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAI`I
DEPARTMENT OF EDUCATION
KA ʻOIHANA HOʻONAʻAUAO
P.O. BOX 2360
HONOLULU, HAWAI`I 96804

Date: 02/25/2026
Time: 02:00 PM
Location: 308 VIA VIDEOCONFERENCE
Committee: FIN

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: HB2280, RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.

Purpose of Bill: Appropriates moneys out of the Emergency and Budget Reserve Fund for fiscal year 2026-2027 to maintain the levels of programs determined to be essential to education, public health, and public welfare, to provide for counter cyclical economic and employment programs of economic downturn, to restore facilities destroyed or damaged or services disrupted by disaster, and to meet other emergencies declared by the governor or determined to be urgent by the legislature.

Department's Position:

The Hawaii State Department of Education (Department) respectfully provides testimony in support of HB 2280.

The measure proposes to appropriate moneys from the State's Emergency and Budget Reserve Fund, most commonly known as the "Rainy Day Fund," for Fiscal Year (FY) 2027 to maintain programs essential to public health, safety, welfare, and education. At the end of FY 2025, the balance of the Rainy Day Fund was $1.568 billion, according to the Hawaii State Department of Budget and Finance.

Expenditures from the Rainy Day Fund are a temporary, supplemental source of funding for the State during times of emergency, severe economic downturn, or unforeseen reduction in revenues. Currently, State general fund revenues are down. Compared to the same time period in FY 2025, general fund tax deposits for the first seven months of FY 2026 are down about $331 million, according to a January 2026 preliminary report from the Hawaii State Department of Taxation.

The Department's FY 2027 Executive Supplemental Budget that was submitted to the 2026 Legislature is reflective of the fiscal uncertainty facing the State. The Department's proposed general fund operating budget was reduced by a net amount of -$28.36 million. The reason for the reduction was that $30 million for preventative maintenance for schools was removed from the operating base budget and placed into the proposed Capital Improvement Projects budget, which is less flexible and reliable

as having it in the operating budget.

Appropriations from the Rainy Day fund could help stabilize the Department's operating budget for FY 2027 – providing temporary reprieve if State revenues continue on a downward trend. Ideally, funding for public education should be reliable, predictable, and adequate.

Investment in public education stands at a critical crossroads during periods of economic downturns and uncertainty. K-12 education, unlike other critical government services, is the state's investment in its future.

What may be considered short-term divestments in education — one, two, or even three years — to address budget constraints, have long-term impacts on a generation of students. These young people graduate high school and mature into adults who will make decisions about whether they will live in Hawaii and how they will contribute to our community and economic future.

Thank you for the opportunity to provide testimony on HB 2280.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAI'I
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
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SETH S. COLBY, Ph.D.
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

TESTIMONY BY SETH S. COLBY, Ph.D.
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2280

February 25, 2026
2:00 p.m.
Room 308 and Videoconference

RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND

The Department of Budget and Finance supports moving this Administration proposal as a vehicle to appropriate funds from the Emergency and Budget Reserve Fund (EBRF) should circumstances warrant the Legislature's determination that such appropriations are necessary to:

1. Maintain the levels of programs determined to be essential to education, public health, and public welfare;
2. Provide for counter cyclical economic and employment programs in periods of economic downturn;
3. Restore facilities destroyed or damaged or services disrupted by a disaster in any county; or
4. Meet other emergencies when declared by the Governor or determined to be urgent by the Legislature.

Section 326L-3, HRS, requires that any appropriation out of the EBRF be made via an appropriations bill containing the Governor's recommendations for expenditure.

Thank you for your consideration of our comments.

EXECUTIVE CHAMBERS
KE KE‘ENA O KE KIA‘ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA‘ĀINA

House Committee on Finance
February 25, 2026
2:00 p.m.
State Capitol, Conference Room 308 and Videoconference

In Support
House Bill No. 2280, Relating to Emergency and Budget Reserve Fund

Chair Todd, Vice Chair Takenouchi and Members of the House Committee on Finance:

The Office of the Governor supports H.B. No. 2280, Relating the Emergency and Budget Reserve Fund. This bill appropriates moneys out of the Emergency and Budget Reserve Fund for fiscal year 2026-2027 to maintain the levels of programs determined to be essential to education, public health, and public welfare, to provide for counter cyclical economic and employment programs of economic downturn, to restore facilities destroyed or damaged or services disrupted by disaster, and to meet other emergencies declared by the governor or determined to be urgent by the legislature.

This bill is necessary to preserve the State’s ability to access funds from the Emergency and Budget Reserve Fund when unexpected challenges arise. In a climate of economic uncertainty, maintaining this authority ensures the State can respond quickly to emerging needs without disrupting essential public services.

Mahalo for the opportunity to provide testimony on this measure.

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Testimony to the House Committee on Finance
Wednesday, February 25, 2026; 2:00 p.m.
State Capitol, Conference Room 308
Via Videoconference

RE: HOUSE BILL NO. 2280, RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.

Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 2280, RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This measure, as received by your Committee, would appropriate an unspecified amount of Emergency and Budget Reserve funds for fiscal year 2026-2027, to maintain the levels of programs determined to be essential to education, public health, and public welfare, provide for counter cyclical economic and employment programs of economic downturn, restore facilities destroyed or damaged or services disrupted by disaster, and meet other emergencies declared by the Governor or determined to be urgent by the Legislature.

This measure is part of the Administration's legislative package, and would take effect on July 1, 2026.

ADD 1003 BISHOP STREET PAUAHI TOWER SUITE 1810 HONOLULU, HI 96813 TEL 808.536.8442 WEB HAWAIIPCA.NET

I. The Problem

During the interim following the Adjournment Sine Die of the 2025 Regular Session, three events took place that have enormous ramifications on Hawaii's social safety net. These were: the enactment of House Resolution No. 1 (H.R. 1), the "One Big Beautiful Bill" Act, which was signed into law on July 4, 2025; the reversal of interpretation of "federal public benefit" under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, or "PRWORA", by the United States Department of Health and Human Services; and the announcement that the Center for Medicare and Medicaid Services will share personal data of Medicaid enrollees to Immigration and Customs Enforcement officials.

In tandem, these three developments will fundamentally alter Hawaii's Medicaid Program by shifting current Medicaid recipients to the uninsured population. Among other things, H.R. 1 will:

(1) Prohibit the use of federal matching funds for health care services to immigrants not lawfully present under federal law, effective October 1, 2026;

(2) Establish work or volunteer requirements for all Medicaid recipients of at least 80 hours per month (or 20 hours per week), effective December 31, 2026; and

(3) Require redeterminations for every Medicaid recipient every six-months, also effective December 31, 2026.

Currently, Hawaii's uninsured population is estimated to be 38,400 or 2.8% of the total population. Based on research provided by the Kaiser Family Foundation as well as our review of Medicaid enrollment historically in Hawaii, we believe the uninsured population will at least double within two to three years if nothing is done.

Without health insurance coverage, citizens will no longer be able to manage chronic disease such as diabetes, high blood pressure, and other maladies. When they become ill, they will not get treated until the situation becomes so bad that they will need to go to a provider for emergency treatment. By then, the illness has become much more severe and costly to remedy. Also, by law, the emergency provider will have to provide stabilizing treatment to the patient regardless of the patient's ability to pay. These costs will subsequently be borne by the provider, creating additional stress to the safety net that is already facing reduced funding and reimbursement.

In the worst-case scenario, hospitals and FQHCs will not be able to treat the increase in indigent patients. While federal law requires FQHCs to provide services to all patients who are not eligible for Medicaid or private insurance on a sliding fee scale based on their ability to pay, federal grant funding to offset these costs were not adjusted to address the increase that will occur. As such, should Hawaii

experience the largest projected increase in uninsured (and assuming that the level of services currently provided remains the same), FQHCs will run out of funds within two to three months.

II. A Possible Solution

On December 19, 2025, the Senate Joint Committee on Health and Human Services and Consumer Protection was briefed by MedQUEST and the State Health Planning and Development Agency (SHPDA) on the impacts of these federal policy changes. During that briefing, SHPDA Administrator Jack Lewin stated that during the Waihee Administration, the Department of Health ran a very successful program that provided coverage for persons who could not obtain employer-sponsored health insurance under the Prepaid Health Care Act, but were not eligible for Medicaid because of income restrictions. This coverage offered a significantly reduced package of benefits (i.e., up to 6 doctor visits and some prescription drugs) and was provided by Medicaid managed care plans under an agreement with the State. According to Dr. Lewin, the State agreed to cover loss costs that go beyond a certain level. However, Lewin stated that loss costs never reached that point and that the expenditure of additional general funds were not necessary.

When the State established the MedQUEST Program, the "gap group" coverage was transferred from the Department of Health to the Department of Human Services. However, according to Meredith Nichols, acting MedQUEST Administrator, when the Center for Medicare and Medicaid Services reviewed the coverage for the "gap group", they disallowed MedQUEST from offering it citing the need for coverages offered under the State's Medicaid Program to meet certain baseline benefit standards.

Despite this, the Green Administration did not submit a bill as part of his Legislative Package that would reestablishment of the "gap group" coverage under the Department of Health. However, there are measures pending further action that could conceivably address this problem:

- House Bill No. 1546, House Draft 1, which would establish a three-year Health Coverage Continuity Pilot Program to assist individuals who have lost Medicaid health insurance coverage and lack access to other health insurance options; and

- Senate Bill No. 2087, the companion to House Bill No. 1546, which is pending further action by the Senate Committee on Ways and Means.

Both measures would require the infusion of a significant amount of State funds to either capitalize a new insurance program, or subsidize thousands of Medicaid enrollees who will shortly be disenrolled and become uninsured.

If the Legislature is so inclined, use of Emergency and Budget Reserve Funds for this purpose would be warranted to ensure the health, welfare, and safety of the general public.

III. High Stakes

The establishment of a high deductible or catastrophic health plan could result in unintended consequences. Hawaii is the only state that requires employers to offer health insurance to employees who work more than 20 hours per week. Hawaii is able to do this because the Prepaid Health Care Act is exempted from federal preemption under the Employee Retirement Income Security Act of 1974. Hawaii retains this exemption so long as the substantive terms of the Prepaid Health Care Act are not materially changed.

It will be vital that the provision of a high deductible or catastrophic health plan not be construed by federal regulators as materially altering the Prepaid Health Care Act. Conceivably, this could happen if the implementation of such a program shifts the manner in which the Prepaid Health Care Act is enforced. Should that happen, such action could invalidate the preemption exemption that is necessary for the Prepaid Health Care Act to operate.

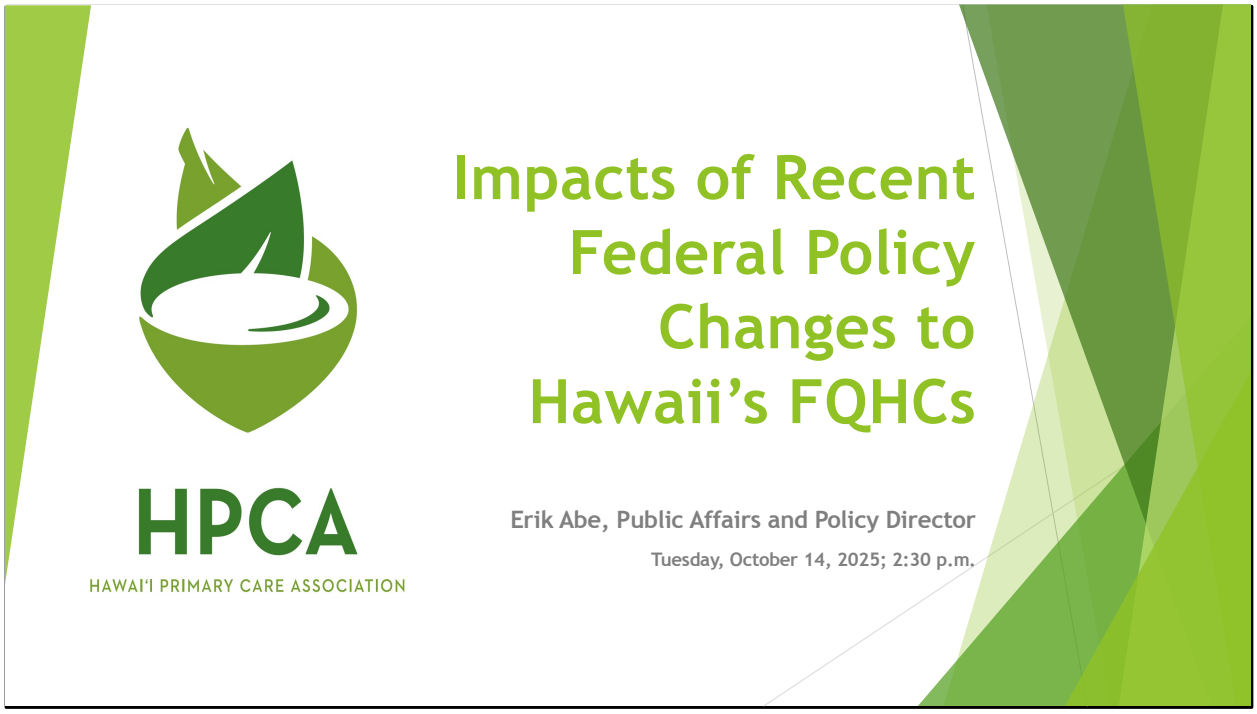
In addition, H.R. 1, includes provisions that require any program intended to replicate Medicaid benefits to a prohibited population be solely general funded. Violations of this could lead to the loss of more federal funding and the imposition of penalties to Hawaii's Medicaid Program.

Accordingly, to provide the Legislature with maximum flexibility as it finds a meaningful solution to this problem, the HPCA strongly supports this measure.

For your information and files, attached please find the slides from a presentation given to the Office of the Governor in October 2025.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipca.net.

attachment

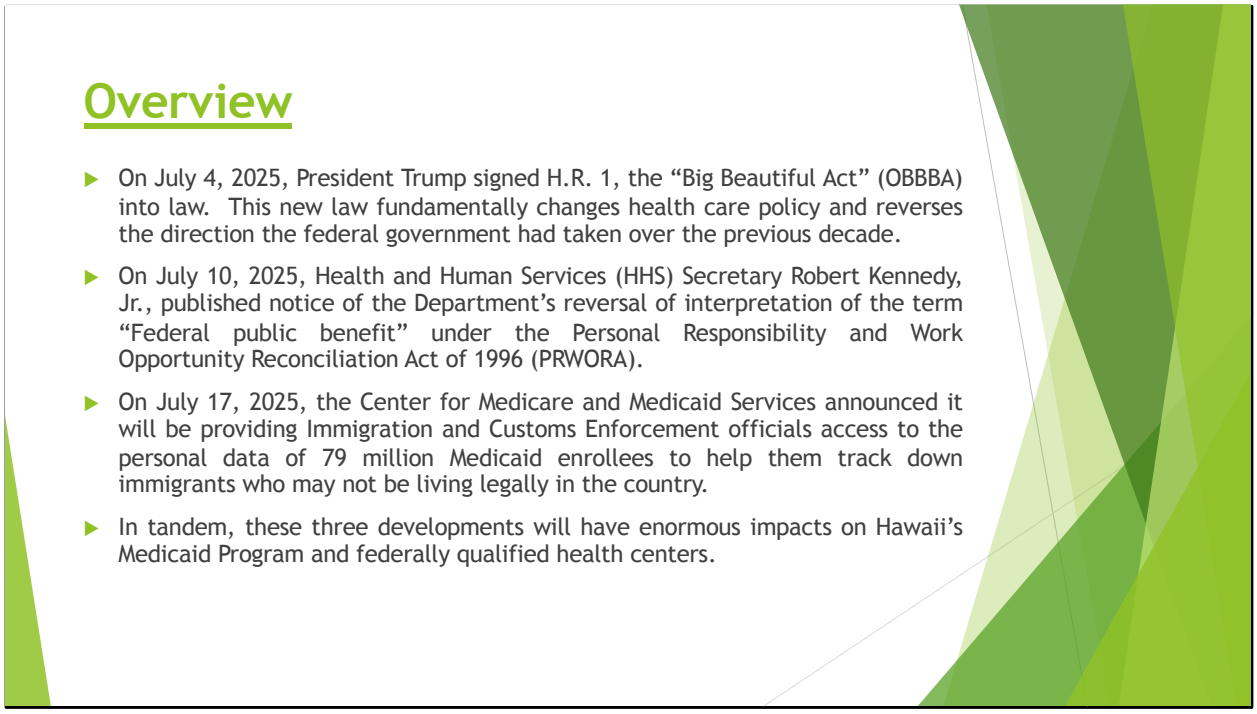


Thank you for this opportunity to present HPCA's analysis of recent federal policy changes to Hawaii's FQHCs and our Medicaid System.

If I do this right, I should be able to get through this presentation in15 minutes.

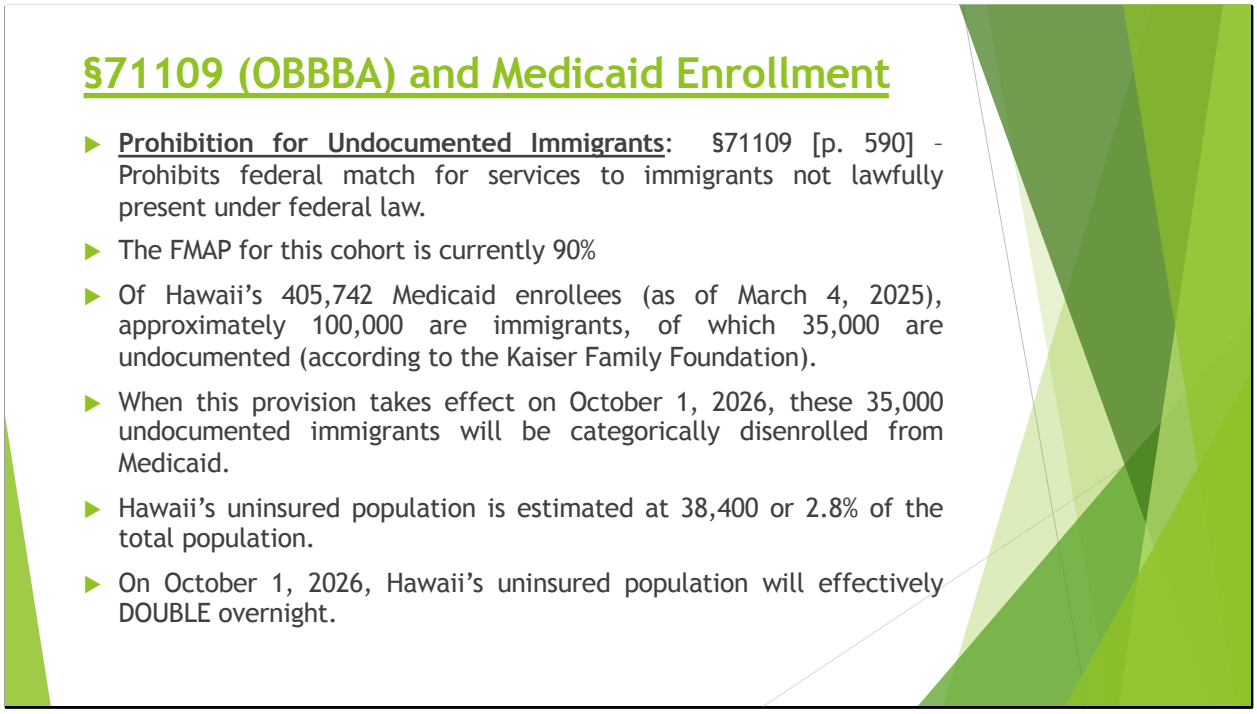
I. CHANGES TO FEDERAL LAW AND POLICY

Part I is entitled changes to federal law and policy.



There were three events that took place that change things -- the enactment of the "Big Beautiful Act"; the reversal of interpretation of "federal public benefit" under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, or "PRWORA"; and the announcement that the Center for Medicare and Medicaid Services will share personal data of Medicaid enrollees to Immigration and Customs Enforcement Officials.

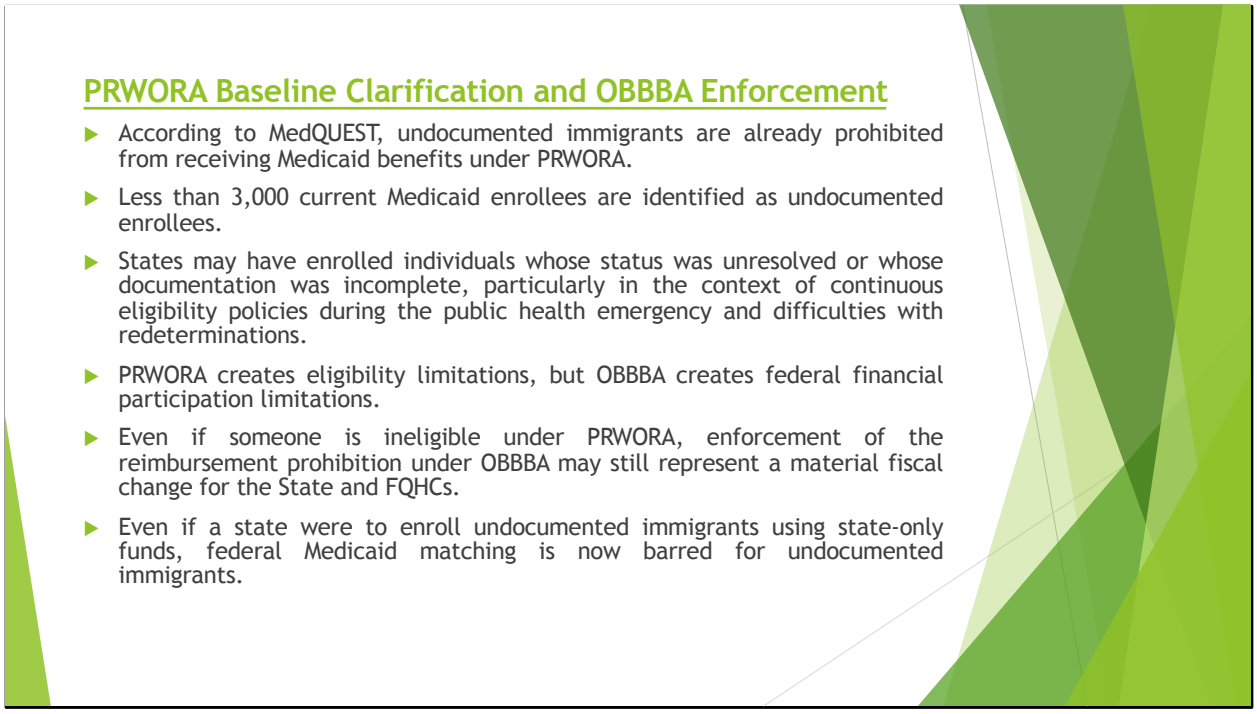
In tandem, these three developments have enormous impact on Hawaii's Medicaid Program and federally qualified health centers.



Prior to the enactment of the Big Beautiful Act, the federal government paid 90% of the costs incurred by immigrant Medicaid enrollees. However, Section 71109 of the Big Beautiful Act creates a categorical exclusion for service providers to receive federal reimbursement for undocumented immigrants.

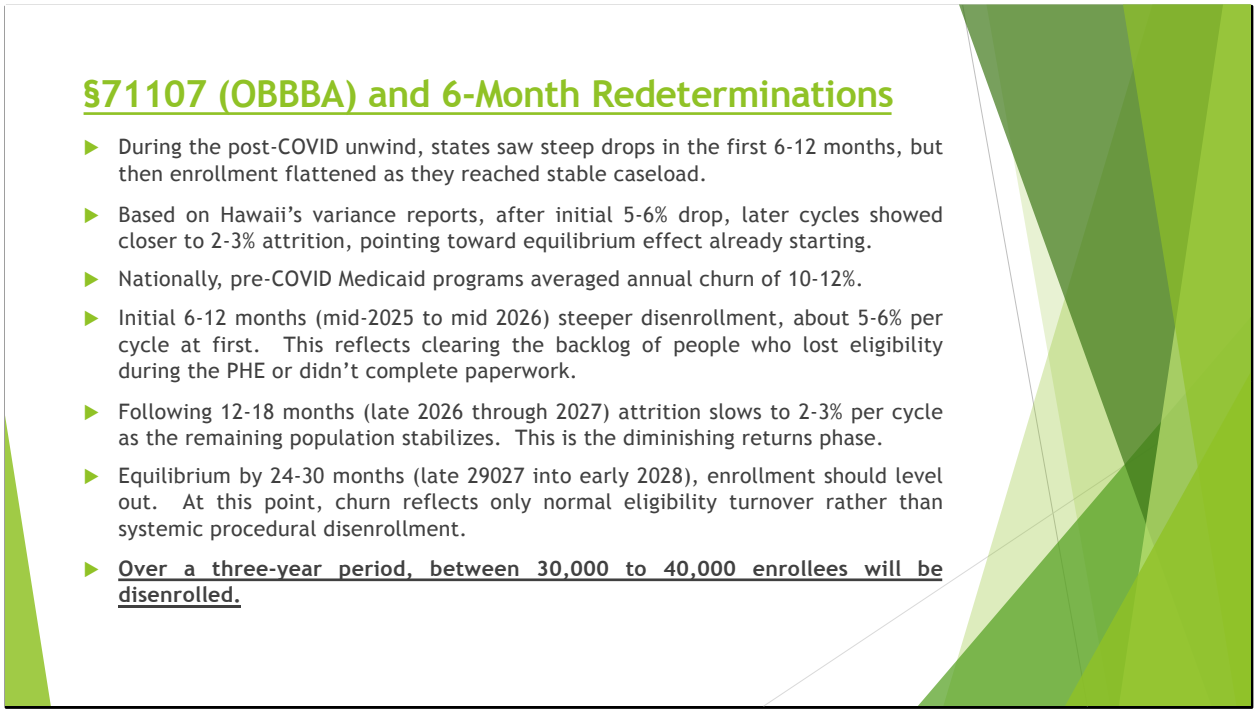
According to the Kaiser Family Foundation, of the 400,000 Medicaid enrollees in Hawaii, one-fourth or 100,000 are believed to be immigrants, of which 35,000 are thought to be undocumented. When this provision takes effect on October 1, 2026, these 35,000 undocumented immigrants will be shifted from Medicaid enrollees to the uninsured.

Currently, the uninsured rate is 2.8 percent of the population or approximately 38,400. On October 1, 2026, this rate will effectively DOUBLE overnight.



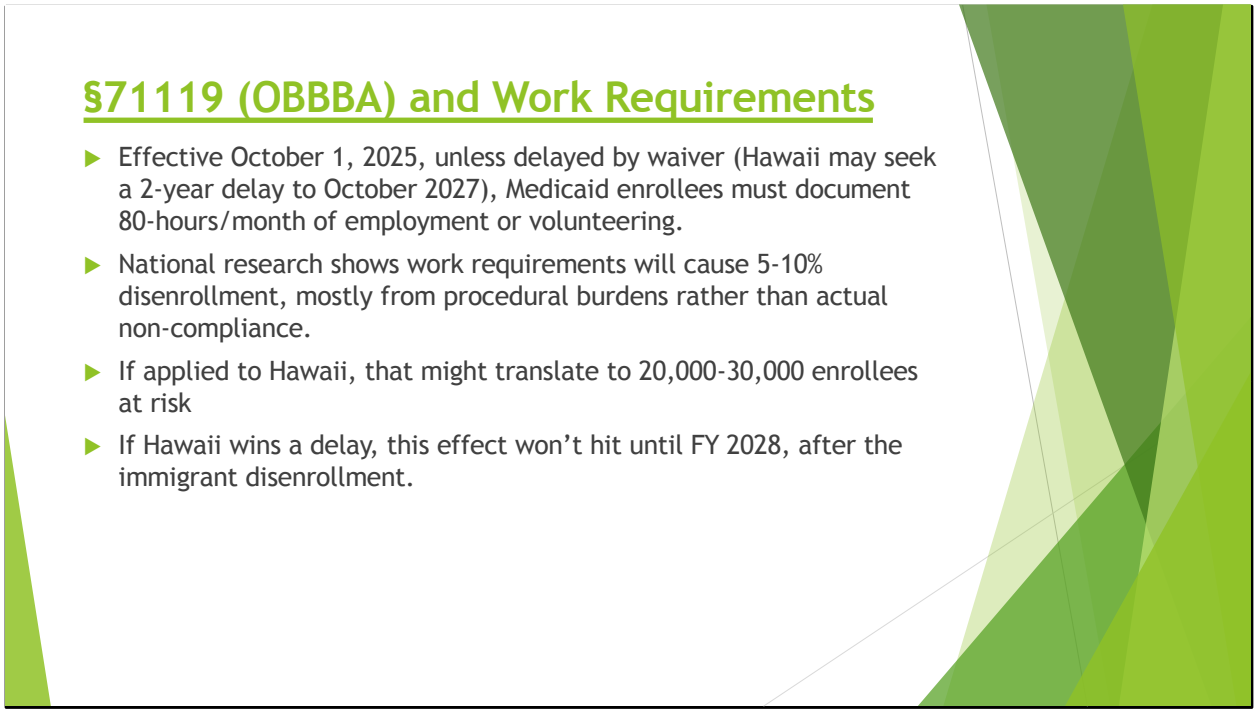
When we shared this information with our partner safety net organizations, MedQUEST responded that currently, less than 3,000 were logged in their system as "undocumented enrollees". We believe there are many more immigrants who are receiving benefits because while PRWORA establishes eligibility limitations at the time of application, these limitations do not preclude the states from paying for these benefits through general funds, as is the case with California, and Illinois, most notably. Because of this, we believe there are many more undocumented immigrants already enrolled in Medicaid.

The Big Beautiful Act changes things by establishing a federal reimbursement prohibition and enforcement mechanisms that will place greater responsibility on the States and providers to verify the eligibility of all Medicaid recipients.



The Big Beautiful Act also shortens the redetermination period for Medicaid enrollees from annually to every six months. Based on the Hawaii experience after the COVID flexibilities were removed prior to President Trump taking office, we believe that Hawaii will see a similar sharp decline in enrollment in the first twelve months and then a flattening over the following 24 months to an equilibrium point of 2-3% attrition every redetermination cycle.

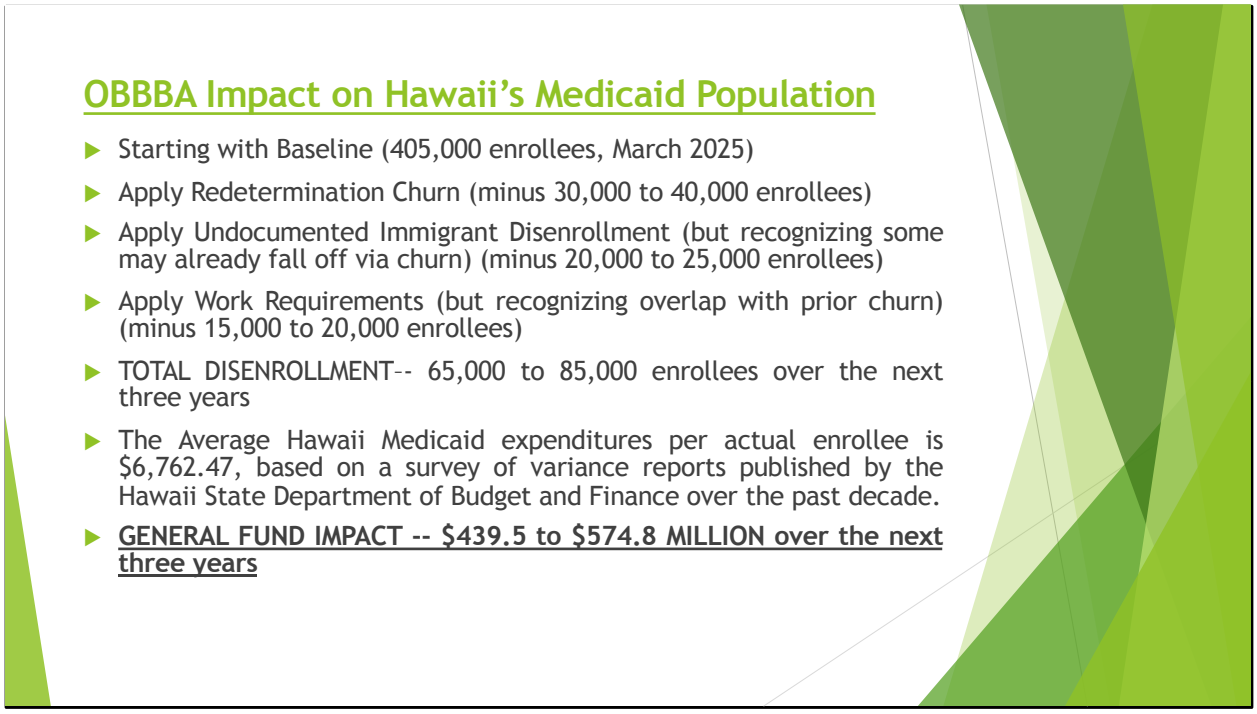
Over the next three years, we believe between 30,000 and 40,000 Medicaid enrollees will be disenrolled.



The Big Beautiful Act also establishes a requirement that all enrollees must work or volunteer at least 80 hours per month to remain eligible for Medicaid. National research indicates that work requirements will cause between 5 to 10% disenrollment, mostly from procedural burdens rather than actual non-compliance.

If applied to Hawaii, that might translate to 20,000 to 30,000 enrollees at-risk.

Hawaii might be able to delay this by two years if MedQUEST is successful in obtaining a two-year waiver from HHS.



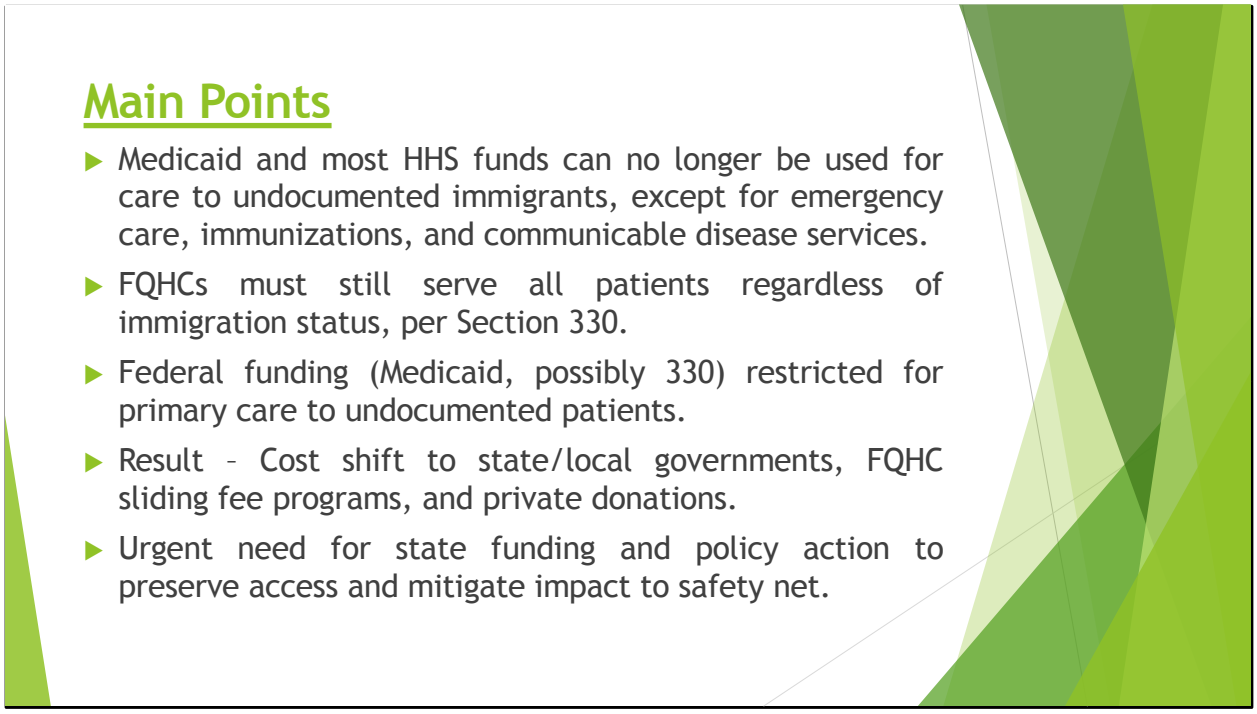
When you look at the entire picture taking into account duplication from persons who might be disenrolled for more than one reason, the HPCA used various models to get an idea of the scale of the impacts. A lot of assumptions were made in analyzing the worst-case scenario to get an idea of the fiscal impact.

We believe that between 65,000 to 85,000 enrollees will be disenrolled over the next three years if Hawaii is not able to obtain a two-year waiver for work requirements. If we get the waiver, this might be stretched over five years.

We looked at the total expenditures from HMS401, Hawaii's Medicaid Program, over the past 10 fiscal years as reported in the variance reports. Using the number of enrollees listed in those reports, we found the average expenditure per enrollee to be $6,762.47. Applying that average to the projected number of persons disenrolled, we believe the fiscal impact to be between $439.5 to $574.8 million over the next three to five years.

II. IMPACTS ON HAWAII'S FQHCS

Keeping all of this in mind, I'd like to now share how we think this will impact FQHCs and the Social Safety Net.



In a nutshell, Medicaid and most HHS funds cannot be used for undocumented immigrants. Yet, FQHCs must still serve all patients regardless of immigration status. This will result in a cost shift to state and local governments, our sliding fee program, and donations. Because of this, there is a need for new funding mechanisms and policy action to protect and preserve the safety net.

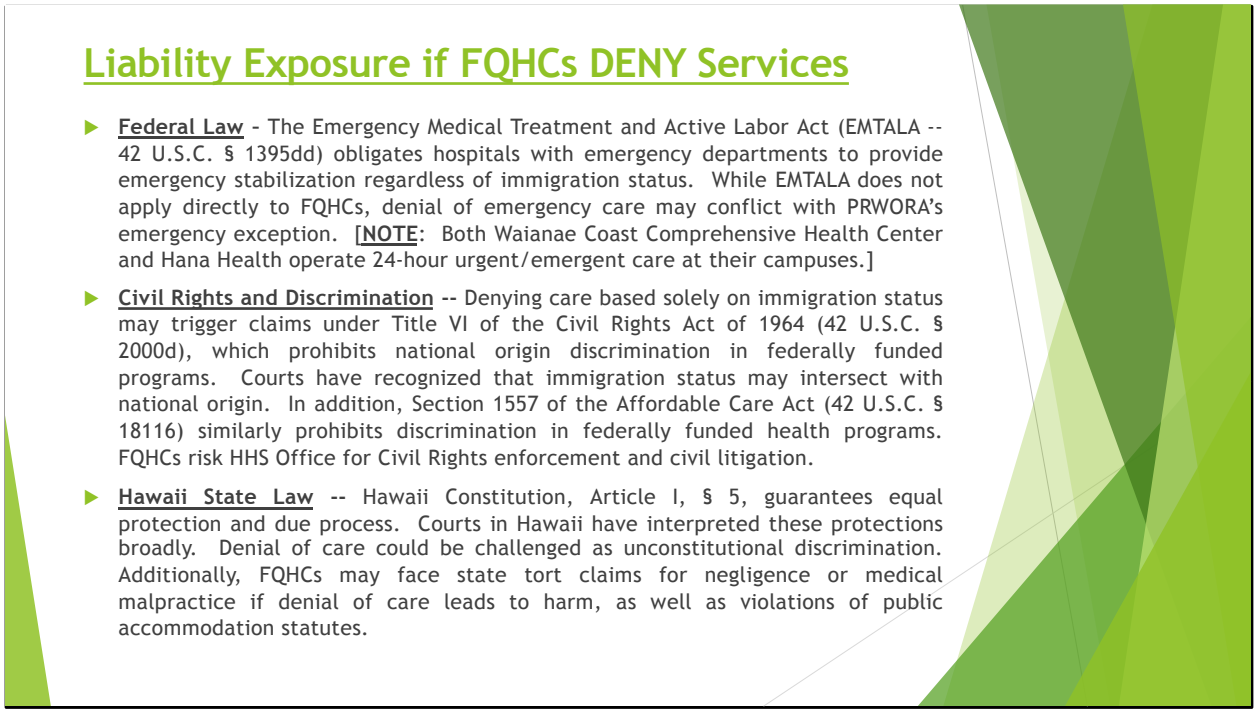
During our preliminary research, if FQHCs continue to provide the same level of services to undocumented immigrants without Medicaid reimbursement, FQHCs would have to rely on our 330 grant funds to cover this shortfall. Based on current grant funds available, those funds will be exhausted within two to three months.

Liability Exposure if FQHCs PROVIDE Services

- **Federal Liability** -- Providing services to undocumented immigrants in federally funded facilities could constitute unlawful provision of federal public benefits. This exposes FQHCs to potential loss of §330 grant funding and possible False Claims Act (31 U.S.C. §§3729-3733) liability if reimbursement is sought.
- **State Liability** – Hawaii's Medicaid Program (Med-QUEST) could face FMAP penalties for violations of PRWORA or the Big Beautiful Act. FQHCs may also face state-level audits regarding misuse of blended funding streams.

FQHCs are in a no-win situation. If an FQHCs PROVIDES service to an undocumented immigrant at their respective campuses, that FQHC could be subject to federal liability for the unlawful provision of federal public benefits, and be exposed to the potential loss of §330 grant funding and possible False Claims Act liability if reimbursement is sought.

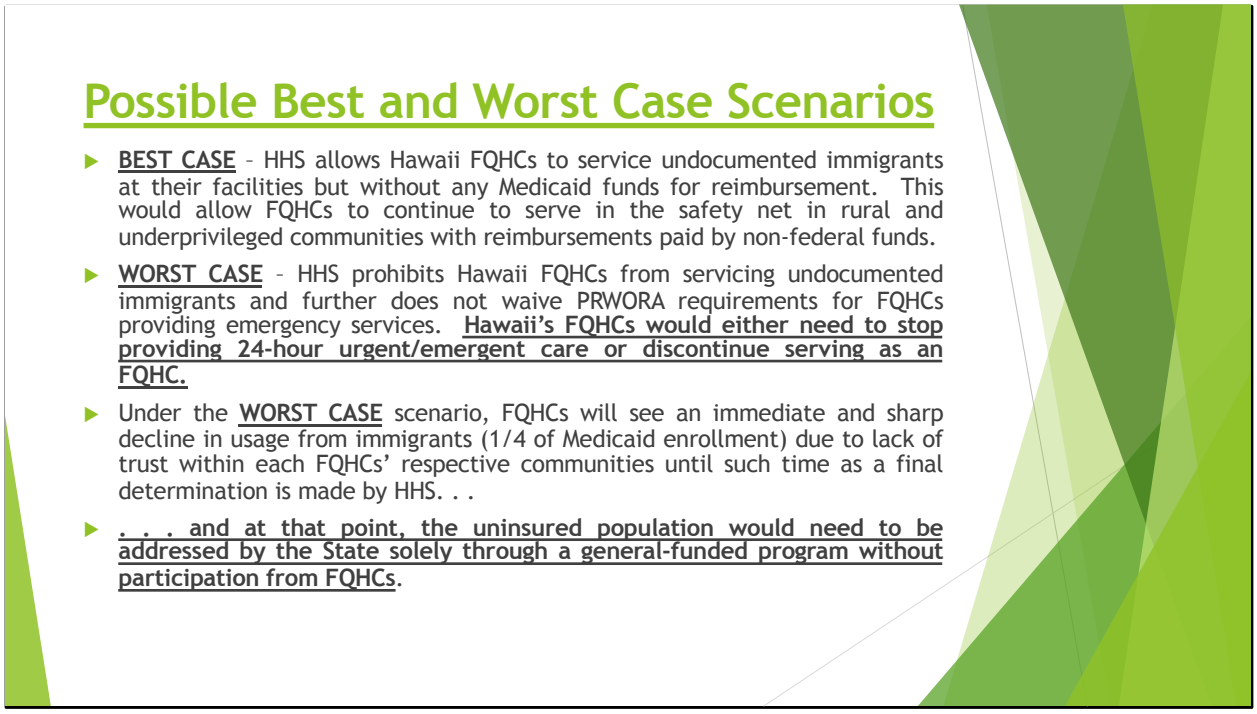
MedQUEST could face FMAP penalties for violations of PRWORA and the Big Beautiful Act, and the FQHC might also face state-level audits regarding misuse of blended funding streams.



If FQHCs DENY services to undocumented immigrants, denial might violate the Emergency Medical Treatment and Active Labor Act, or EMTALA, which requires emergency stabilization regardless of immigration status. While this law applies directly to hospitals with emergency departments, both Waianae Coast Comprehensive Health Center and Hana Health provide 24-hour urgent/emergent care at their campuses.

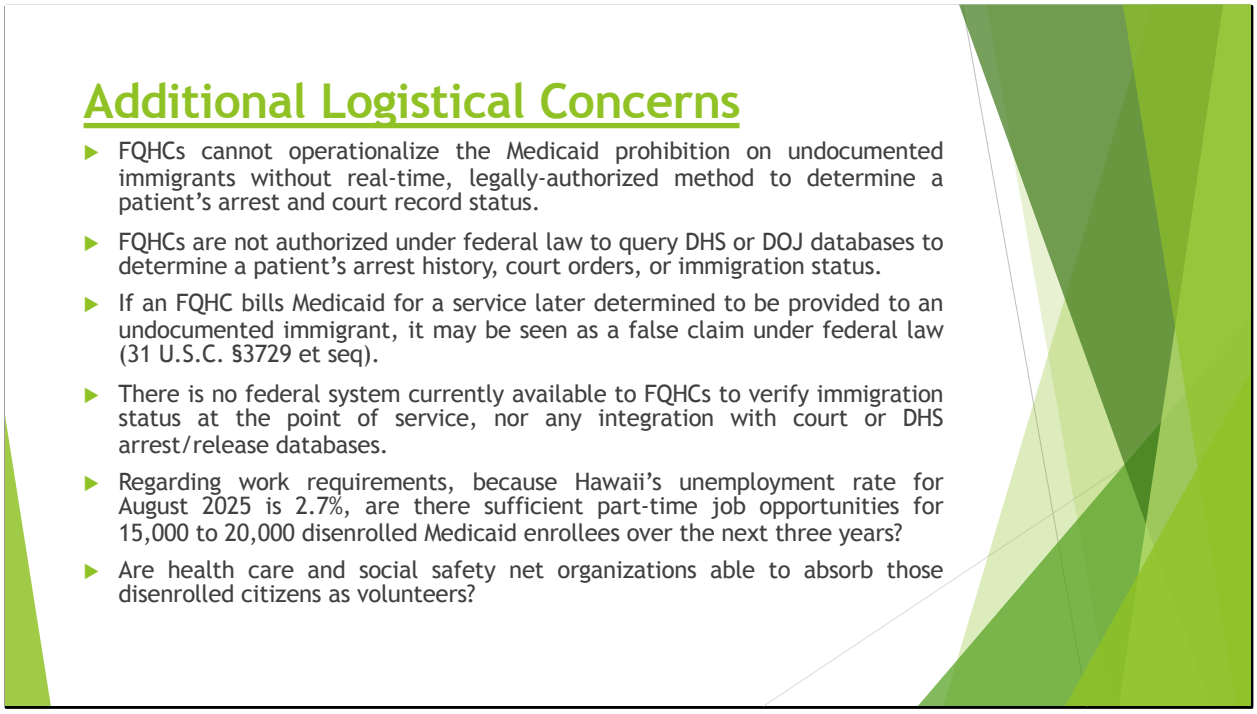
Denial of service based solely on immigration status may trigger claims under Title VI of the Civil Rights Act of 1964, which prohibits national origin discrimination in federally funded programs. Denial might also violate provisions of the Affordable Care Act, which prohibits discrimination in health programs.

Denial of service could trigger state action if the denial is construed as unconstitutional discrimination. Further, the FQHC could be in violation of Hawaii's public accommodations statutes.



Based on the information available, best-case and worst-case scenarios could be imagined. In the best-case scenario, HHS allows FQHCs to provide services to immigrants but not allow federal funds for reimbursement. Under this scenario, FQHCs would remain in the safety net, but would need to find non-federal funds to provide services to this cohort.

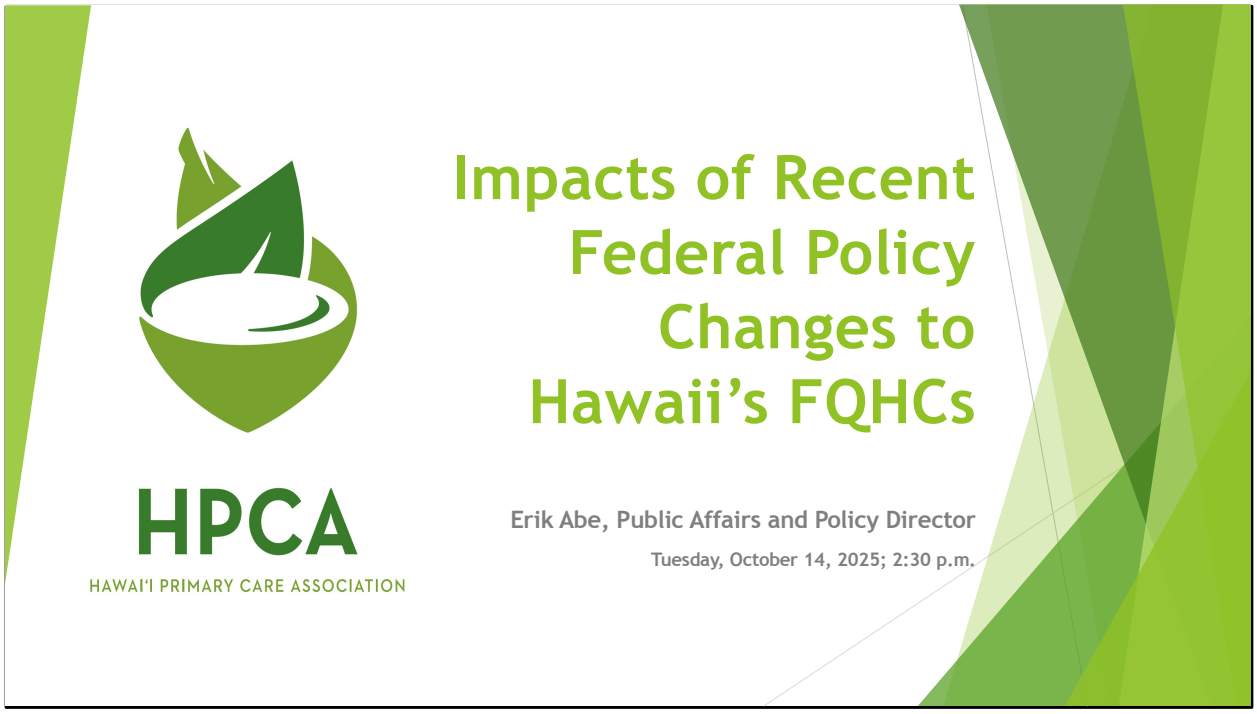
Under the worst-case scenario, HHS prohibits FQHCs from even using their facilities to provide services to undocumented immigrants. This scenario would effectively dislodge FQHCs from the safety net and leave it to the State to determine how the health care needs of this population will be served.



Lastly, FQHCs will need to be able to determine a patient's Medicaid eligibility before services can be provided. Because a person's immigration status can change from the time documentation is verified at application, without the means of determining eligibility before service is provided, there would be no way for the FQHC to ensure that a subsequent request for reimbursement is legitimate. It should be noted that a person's immigrant status can change based on a person's arrest and court record status prior to conviction. Currently as a public accommodation, FQHCs are prohibited from denying medical services to a person based on their arrest and court record status under State Law.

Also, given Hawaii's low unemployment rate, are there sufficient job opportunities available in rural, isolated communities to keep Hawaii's unemployed Medicaid enrollees with coverage?

The HPCA has had preliminary discussions with various nonprofit organizations to determine their capacity to recruit and engage volunteers in rural communities. Because many of these organizations have focused their grassroots activities in urban areas, it will likely take time for nonprofits to establish sufficient volunteer opportunities for Medicaid enrollees unable to gain part-time employment.



This concludes the presentation. I'd be happy to answer any questions.

HB-2280
Submitted on: 2/23/2026 8:09:51 PM
Testimony for FIN on 2/25/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support

2280 HB RELATING TO THE EMERGENCY AND BUDGET RESERVE FUND.