

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2026

NEW ISSUE

FULL BOOK-ENTRY ONLY

RATINGS: See “Ratings” herein.

In the opinion of Kutak Rock LLP, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” in this Official Statement.



STATE OF HAWAII
\$206,170,000*
Taxable General
Obligation Bonds
of 2026 Series GO

STATE OF HAWAII
\$300,000,000*
Taxable General
Obligation Bonds
of 2026 Series GP

STATE OF HAWAII
\$993,830,000*
Taxable General
Obligation Bonds
of 2026 Series GQ

Dated: Date of Delivery

Due: As shown on the inside cover page

The State of Hawaii Taxable General Obligation Bonds of 2026, Series GO (the “Series GO Bonds”), the Taxable General Obligation Bonds of 2026, Series GP (the “Series GP Bonds”), and the Taxable General Obligation Bonds of 2026, Series GQ (the “Series GQ Bonds” and, together with the Series GO Bonds and the Series GP Bonds, the “Bonds”) will be issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of Bond certificates; payment of the principal of and interest and any premium on the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may be made in the denomination of \$5,000 or any integral multiple thereof. See “Appendix H—PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” herein. The Bonds will bear interest payable at the rates set forth on the inside cover page hereof on April 1 and October 1 of each year, commencing October 1, 2026*.

The Bonds are subject to redemption prior to their stated maturities as and to the extent described herein.

The proceeds from the sale of the Bonds will be used to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension or improvement or various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, parks, and highways, and for certain other public purposes and to pay a portion of the costs of issuance of the Bonds. See “AUTHORITY AND PURPOSE” herein.

The Bonds are general obligations of the State. The interest and principal payments on the Bonds are a first charge on the General Fund of the State, and the full faith and credit of the State are pledged to the punctual payment thereof.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE

See Inside Cover Page

The Bonds are offered when, as and if issued and accepted by the Underwriters listed below. The issuance of the Bonds is subject to the approval of legality by Kutak Rock LLP, Bond Counsel to the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC, on or about April 30, 2026.

BofA Securities
Goldman Sachs & Co. LLC

Barclays

Raymond James
Jefferies

This Official Statement is dated April __, 2026

* Preliminary; subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**\$206,170,000* TAXABLE GENERAL OBLIGATION BONDS OF 2026
SERIES GO
Dated: Date of Delivery**

Due (October 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† Number (419792)
2026	\$48,595,000				
2027	49,965,000				
2028	52,460,000				
2029	55,150,000				

**\$300,000,000* TAXABLE GENERAL OBLIGATION BONDS OF 2026
SERIES GP
Dated: Date of Delivery**

Due (April 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† Number (419792)
2031	\$300,000,000				

**\$993,830,000* TAXABLE GENERAL OBLIGATION BONDS OF 2026
SERIES GQ
Dated: Date of Delivery**

Due (October 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† Number (419792)
2030	\$42,135,000				
2031	43,995,000				
2032	45,995,000				
2033	48,145,000				
2034	50,465,000				
2035	52,965,000				
2036	55,625,000				
2037	58,460,000				
2038	61,490,000				
2039	64,740,000				
2040	68,215,000				
2041	71,910,000				
2042	75,845,000				
2043	80,045,000				
2044	84,515,000				
2045	89,285,000				

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2026 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds. None of the State, the Underwriters or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN THE STATE OF HAWAII AND REFERENCES TO THE “BONDS” AND THE “SECURITIES” MEAN, COLLECTIVELY, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION BONDS OF 2026, SERIES GO, SERIES GP AND SERIES GQ.

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT THE OFFERING OR SALE OF THE BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

**NOTICE TO PROSPECTIVE INVESTORS IN THE
EUROPEAN ECONOMIC AREA (“EEA”)**

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY EEA RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, AN “EEA RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “EU PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS LOCATED WITHIN THE EEA WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE EU PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) (“SFO”) OR ANY REGULATORY AUTHORITY IN HONG KONG. ACCORDINGLY, YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFERING CONTEMPLATED IN THIS OFFICIAL STATEMENT. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) (“C(WUMP)O”) OR WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SFO, OR (II) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O. NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF (A) ONLY TO PERSONS OUTSIDE HONG KONG OR (B) ONLY TO “PROFESSIONAL INVESTORS” IN HONG KONG AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF IN JAPAN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE “FIEA”). AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKET ACT OF KOREA. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE “FSCMA”). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA

OR TO ANY RESIDENT OF SOUTH KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF SOUTH KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE “FETL”). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF INVESTORS (AS CALCULATED PURSUANT TO THE FSCMA) TO WHICH BONDS HAVE BEEN OFFERED IN SOUTH KOREA OR THE NUMBER OF INVESTORS WHO ARE RESIDENTS IN SOUTH KOREA SHALL BE LESS THAN FIFTY AND NO UNIT OF BONDS MAY BE DIVIDED RESULTING IN MORE THAN FORTY-NINE INVESTORS (AS CALCULATED PURSUANT TO THE FSCMA). FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO SOUTH KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

NOTICE TO INVESTORS IN SWITZERLAND

THE BONDS MAY NOT BE PUBLICLY OFFERED IN SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE (“SIX”) OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A PROSPECTUS OR A KEY INFORMATION DOCUMENT WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON FINANCIAL SERVICES (“FINSA”) OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE SIX LISTING RULES OR THE LISTING RULES OF ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS OR THE OFFERING MAY BE PUBLICLY OFFERED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. ACCORDINGLY, THIS OFFICIAL STATEMENT MAY BE COMMUNICATED IN OR FROM SWITZERLAND TO A LIMITED NUMBER OF SELECTED INVESTORS ONLY.

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (“FINMA”).

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS SCHEMES WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER AND DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN (THE REPUBLIC OF CHINA)

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN (THE “FSC”) PURSUANT TO APPLICABLE SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE BONDS, INCLUDING ANY COPY OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENTS RELATING TO THE BONDS, MAY NOT BE OFFERED, SOLD, DELIVERED OR DISTRIBUTED WITHIN TAIWAN (THE REPUBLIC OF CHINA) THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE

SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION WITH OR APPROVAL OF THE FSC. NO PERSON OR ENTITY IN TAIWAN (THE REPUBLIC OF CHINA) HAS BEEN AUTHORIZED TO OFFER, SELL, DISTRIBUTE, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS UNLESS THE BONDS OFFERED OR SOLD TO INVESTORS IN TAIWAN ARE OTHERWISE THROUGH TAIWAN LICENSED FINANCIAL INSTITUTIONS TO THE EXTENT PERMITTED UNDER RELEVANT TAIWAN LAWS OR REGULATIONS. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE BONDS SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM (“UK”)

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES A “UK RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) 2017/565 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED, THE “EUWA”); OR (II) A CUSTOMER WITHIN THE MEANING OF PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A “QUALIFIED INVESTOR” AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PROSPECTUS REGULATION”). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (AS AMENDED, THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO UK RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS LOCATED WITHIN THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE UK PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

UK RESTRICTIONS ON SALES—THE BONDS MUST NOT BE OFFERED OR SOLD AND THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT IN CONNECTION WITH THE OFFERING AND ISSUANCE OF THE BONDS MUST NOT BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN THE UNITED KINGDOM EXCEPT TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND QUALIFY AS INVESTMENT PROFESSIONALS UNDER ARTICLE 19 (INVESTMENT PROFESSIONALS) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, (AS AMENDED, THE “ORDER”) OR ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A)-(D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER

OR WHO OTHERWISE FALL WITHIN AN EXEMPTION SET FORTH IN SUCH ORDER SUCH THAT SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, “FSMA”) DOES NOT APPLY TO THE ISSUER OR ARE PERSONS TO WHOM THIS OFFICIAL STATEMENT OR ANY OTHER SUCH DOCUMENT MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

ADDITIONAL NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT DOES NOT COMPRISE A PROSPECTUS WITH REGARD TO THE ISSUER OR THE BONDS FOR THE PURPOSES OF THE EU PROSPECTUS REGULATION IN RESPECT OF THE EEA OR UNDER THE UK PROSPECTUS REGULATION IN RESPECT OF THE UK. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

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STATE OF HAWAII



ADMINISTRATIVE OFFICIALS

Dr. Josh Green
Governor

Sylvia Luke
Lieutenant Governor

Seth S. Colby, Ph.D.
Director of Finance

Anne E. Lopez
Attorney General

Keith A. Regan
Comptroller

BOND COUNSEL TO STATE

Kutak Rock LLP

MUNICIPAL ADVISOR

Public Resources Advisory Group

This Official Statement, which includes the cover page, the inside cover page and appendices, does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon.

Certain information contained in this Official Statement has been provided by the State. Certain other information contained herein has been obtained by the State from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder at any time shall create any implication that the information contained herein is correct as of any time subsequent to its date.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the State of Hawaii and the terms of the offering, including the merits and risks involved.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (“SEC”), ANY STATE SECURITIES AGENCY, OR ANY OTHER FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS THE SEC, ANY STATE SECURITIES AGENCY, OR ANY OTHER FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

NO ACTION HAS BEEN TAKEN BY THE STATE THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE BONDS OR POSSESSES OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE STATE SHALL HAVE NO RESPONSIBILITY THEREFOR.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

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OFFICIAL STATEMENT

STATE OF HAWAII

\$206,170,000*
TAXABLE GENERAL
OBLIGATION BONDS OF 2026
SERIES GO

\$300,000,000*
TAXABLE GENERAL
OBLIGATION BONDS OF 2026
SERIES GP

\$993,830,000*
TAXABLE GENERAL
OBLIGATION BONDS OF 2026
SERIES GQ

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to set forth information concerning the State of Hawaii (sometimes herein referred to as the “State” or “Hawaii”) and its \$206,170,000* Taxable General Obligation Bonds of 2026, Series GO (the “Series GO Bonds”), \$300,000,000* Taxable General Obligation Bonds of 2026, Series GP (the “Series GP Bonds”), and \$993,830,000* Taxable General Obligation Bonds of 2026, Series GQ (the “Series GQ Bonds” and, together with the Series GO Bonds and the Series GP Bonds, the “Bonds”), in connection with the sale thereof by the State.

AUTHORITY AND PURPOSE

Authority

The Bonds will be issued pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and the laws of the State, including Part I of Chapter 39 of the Hawaii Revised Statutes, as amended (“HRS”), and pursuant to the authority of certain acts of the Legislature of the State (the “Legislature”) and a Certificate of the Director of Finance of the State (the “Bond Issuance Certificate”).

Purpose

The proceeds from the sale of the Bonds will be used to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension of improvement or various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, parks, and highways, and for certain other public purposes and to pay a portion of the costs of issuance of the Bonds. See “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in Appendix A.

THE BONDS

Details of the Bonds

The Bonds will mature serially on the dates and years, and will bear interest at the rate or rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover page hereof, payable by U.S. Bank Trust Company, National Association, as Paying Agent and Registrar (the “Paying Agent”), on April 1 and October 1 of each year, commencing October 1, 2026* (each

* Preliminary; subject to change.

an “interest payment date”). The Bonds will be dated their date of delivery and will be issued in fully registered form without coupons in the denomination of \$5,000 or integral multiples thereof.

Book-Entry-Only System

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC’s nominee name) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity (provided that if the aggregate principal amount of any single maturity exceeds \$500,000,000, separate bond certificates shall be issued for each \$500,000,000 and any amount in excess thereof and subject to any DTC restrictions on the maximum principal amount of a bond certificate), and will be deposited with DTC. Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. or Euroclear Bank SA/NV as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. See “Appendix H—PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” for a description of DTC, Clearstream Banking, S.A., Euroclear Bank SA/NV as operator of the Euroclear System, and certain of their responsibilities, and the provisions for registration and registration of transfer of the Bonds if the book-entry-only system of registration is discontinued.

Optional Redemption of the Bonds

Series GO Bonds

Make Whole Optional Redemption of Series GO Bonds. The Series GO Bonds are subject to redemption at the option of the State on any date in whole or in part (and if in part in any order of maturity selected by the State and by lot within a maturity as described below under “Selection for Redemption”) at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Comparable Treasury Yield (defined below under “Definitions for Make Whole Optional Redemption Provisions”) plus __ basis points, plus accrued interest on such Bonds to be redeemed to the redemption date.

Series GP Bonds

Optional Par Redemption of Series GP Bonds. The Series GP Bonds are subject to redemption prior to their stated maturity, at the option of the State, at any time on or after January 1, 2031*, in whole or in part (and if in part in any order of maturity selected by the State and within a maturity bearing interest at the same rate then by lot as described below under “Selection for Redemption”), at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

* Preliminary; subject to change.

Make Whole Optional Redemption of Series GP Bonds. The Series GP Bonds are subject to redemption at the option of the State on any date prior to and excluding January 1, 2031*, in whole or in part (and if in part in any order of maturity selected by the State and by lot within a maturity as described below under “Selection for Redemption”) at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Comparable Treasury Yield (defined below under “Definitions for Make Whole Optional Redemption Provisions”) plus __ basis points, plus accrued interest on such Bonds to be redeemed to the redemption date.

Series GQ Bonds

Optional Par Redemption of Series GQ Bonds. The Series GQ Bonds maturing on and after October 1, 2037* are subject to redemption prior to their stated maturity, at the option of the State, at any time on or after October 1, 2036, in whole or in part (and if in part in any order of maturity selected by the State and within a maturity bearing interest at the same rate then by lot as described below under “Selection for Redemption”), at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Make Whole Optional Redemption of Series GQ Bonds. The Series GQ Bonds are subject to redemption at the option of the State on any date prior to and excluding October 1, 2036*, in whole or in part (and if in part in any order of maturity selected by the State and by lot within a maturity as described below under “Selection for Redemption”) at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Comparable Treasury Yield (defined below under “Definitions for Make Whole Optional Redemption Provisions”) plus __ basis points, plus accrued interest on such Bonds to be redeemed to the redemption date.

Definitions for Make Whole Optional Redemption Provisions. For purposes of the foregoing, the following terms have the following meanings:

“*Calculation Agent*” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the State (which may be one of the institutions that served as an underwriter for the Bonds).

* Preliminary; subject to change.

“*Comparable Treasury Issue*” means, with respect to any Bond being redeemed, the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of such Bond that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of such Bond.

“*Comparable Treasury Price*” means, with respect to any date on which a Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations; and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on a date selected by the Calculation Agent which is not less than three business days and not more than 20 business days preceding the date fixed for redemption.

“*Comparable Treasury Yield*” means, with respect to any Bond being redeemed, the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of such Bond. The Comparable Treasury Yield will be determined no sooner than the third business day nor earlier than the twentieth business day preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of such Bond, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (a) closest to and greater than the remaining term to maturity of the Bond being redeemed; and (b) closest to and less than the remaining term to maturity of the Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“*Reference Treasury Dealer*” means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as an underwriter for the Bonds) appointed by the State and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If less than all of the Bonds of a series are called for redemption, the State will designate the maturities from which the Bonds are to be redeemed.

For so long as the Bonds are registered in book-entry form and DTC or a successor Securities Depository is the sole registered owner of such Bonds, if fewer than all of such Bonds of the same series and maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected by lot; provided that, so long as the Bonds are held in book entry form, the selection for

redemption of the Bonds of such series will be made in accordance with the operational arrangements of DTC then in effect, and provided further that any such redemption must be performed such that all such Bonds remaining outstanding will be in Authorized Denominations. “Authorized Denominations” means denominations of \$5,000 or any integral multiple of \$5,000. See “Appendix H—PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

If the Bonds are not registered in book-entry form and if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot; provided that any such redemption must be performed such that all Bonds remaining outstanding will be in Authorized Denominations.

General Redemption Provisions

Except as described above, if any Bond is of a denomination in excess of a minimum Authorized Denomination, portions of the principal sum thereof in installments of Authorized Denominations may be redeemed.

Notice of redemption will be mailed, not fewer than 20 days prior to the date fixed for redemption, to each Holder of a Bond in whose name such Bond is registered upon the Bond Register as of the close of business on the forty-fifth day (whether or not a business day) next preceding the date fixed for redemption at such Holder’s address as shown on such Bond Register. Failure of the Holder of a Bond to receive such notice by mail or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of any Bond.

Notwithstanding the foregoing, for so long as the Book-Entry System is in effect with respect to the Bonds, the Paying Agent will mail notice of redemption to DTC or its nominee or its successor. DTC’s prevailing operational arrangements may require notice of redemption to be provided on an earlier or later date. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a Beneficial Owner of a Bond of any such redemption will not affect the sufficiency or the validity of the redemption of such Bond. See “Appendix H—PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Any notice of any optional redemption of Bonds may state that it is conditional upon receipt by the Paying Agent of money sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The State shall provide notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, in the same manner as the notice of redemption.

If any Bond (or any portion of the principal sum thereof) shall be redeemable and shall have been duly called for redemption and notice of such redemption shall have been duly given as provided in the Bond Issuance Certificate, and if on or before the date fixed for such redemption the State shall have duly made or provided for the payment of the principal sum thereof to be redeemed, the premium, if any, payable upon such redemption and the interest accrued on the principal sum to be redeemed to the date fixed for such redemption, and unless such notice is conditioned upon satisfaction of any other condition or the occurrence of any other event and such condition is not satisfied or such event has not occurred, then such Bond (or the portion of the principal sum thereof to be redeemed) shall become due and payable upon such date fixed for redemption and interest shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed.

SECURITY FOR THE BONDS

Security Provisions

Under the Constitution and the laws of the State, the payment of principal of and interest on general obligation bonds of the State, including the Bonds, shall be a first charge on the General Fund of the State. Under said laws, the full faith and credit of the State are pledged to the punctual payment of the principal of and interest on general obligation bonds of the State, including the Bonds, and sufficient revenues shall be raised and provided from time to time for the purpose of payment. Amounts on deposit in the General Fund are applied to the payment of the debt service on the issued and outstanding general obligation bonds of the State, including the Bonds, as the debt service becomes due and payable.

Sovereign Immunity

Under the doctrine of sovereign immunity, a state of the United States (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state of the United States (including the State) cannot be sued by citizens of another state of the United States or by citizens or subjects of any foreign state. A state (including the State) may waive its immunity and consent to a suit against itself, and under current law the State has waived its immunity to be sued in limited circumstances, including for claims against the State founded upon any State statute or upon any contract with the State (except a contract or any act of any State officer which the officer is not authorized to make or do by State law). However, such waiver and consent may subsequently be withdrawn by the State. Such immunity from and constitutional prohibition against suits against a state extend to officers of a state acting in their official capacity. Therefore, there can be no assurance that, in the event the State fails to make timely payment of principal of or interest on the Bonds, a right of action would lie against State officials to enforce such payment. It should also be noted that states, including the State, lack the power to file bankruptcy and cannot be forced into involuntary bankruptcy by creditors under the United States Bankruptcy Code.

THE STATE OF HAWAII

Certain general information concerning the State is contained in Appendix A to this Official Statement. Selected financial information concerning the State, including information about the State's outstanding indebtedness and its revenue projections, is contained in Part I of Appendix B to this Official Statement. Part II of Appendix B contains cross references to the Annual Comprehensive Financial Report of the State of Hawaii for the State's fiscal year ended June 30, 2025. The State provided certain information, and obtained from other sources believed to be reliable certain other information, set forth in Appendices A and B. None of the Underwriters (as hereinafter defined) and their counsel, Bond Counsel or Accuity LLP, independent auditors, have independently verified any of such information, nor have they made an independent determination of the financial position of the State. See "GENERAL ECONOMIC INFORMATION" in Appendix A and "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of Appendix B.

CERTAIN INVESTMENT CONSIDERATIONS

General

There are important investment considerations associated with the purchase of the Bonds, and there can be no assurance of continued marketability of the Bonds at current price levels. Various factors affect the market value of municipal securities, including the Bonds, over most of which the State has no control, such as general economic conditions, inflation, pandemics, civil unrest, matters involving public safety, international developments, federal economic policies, interest rate trends and proposed or actual changes

to the Internal Revenue Code of 1986, as amended. State finances, future State legislative actions and bond ratings may also affect the market value of the Bonds. Any one or more of such considerations, and others, could lead to a decrease in the market value and/or the liquidity of the Bonds. See Appendix A and Appendix B, including specifically the heading “CERTAIN INVESTMENT CONSIDERATIONS” in Appendix A, for descriptions of certain of these factors currently having, and that may have, a material adverse effect on the State’s economic conditions, operations and finances.

Furthermore, climatic conditions and extreme weather events such as wildfires, seismic activity, drought, hurricanes, severe rainstorms, tsunamis and associated flooding, may have a material adverse effect on the State’s economic conditions, operations and finances, including as a result of the recent weather event known as a “Kona Low” which passed over most of the State in March of 2026. These storms and certain other significant climatic events are discussed under the heading “RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS.” Potential purchasers of the Bonds are advised to consider such factors, among others, and to review all of the information in this Official Statement.

PENDING LITIGATION

There is currently no pending litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds or in any other manner affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be sold and issued. The State has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations that are not expected to have a material adverse effect on the State’s financial position.

Described under this heading and in Appendix E, to which reference is hereby made for further information, are certain other lawsuits and claims that, if ultimately resolved against the State, could have a material adverse effect on the State’s financial condition or as to which the State is unable to predict the magnitude of its potential liability, if any. Such lawsuits and claims include those involving the following entities and matters:

(i) The Office of Hawaiian Affairs (“OHA”) and certain lands (the “Ceded Lands”) transferred in 1898 by the Republic of Hawaii to the United States and in 1959, upon the State’s admission to the Union, by the United States to the State (as to, among other things, claims to a portion of the income and proceeds of the Ceded Lands). The State intends to defend vigorously against such claims.

(ii) The Hawaiian Home Lands and the Department of Hawaiian Home Lands (as to certain alleged breaches of trust and fiduciary duties and related individual claims by beneficiaries of the Hawaiian Homes Commission Act of 1920, referred to herein as the “Individual Claims Cases”; and separately, as to alleged violations of Article XII, Section 1 of the State Constitution for the Legislature not providing sufficient funding for the Department’s Administration and Operating Budget, referred to herein as “*Nelson*”). Under the terms of a global settlement for the Individual Claims Cases which became final in October 2023, the State appropriated and paid \$328,000,000 from the General Fund. The settlement funds were paid to the trustee of a qualified settlement trust that was established to distribute payments to individual class members, and the distribution of payments began in November 2023. The State intends to defend vigorously against the claims brought against the State in *Nelson*.

(iii) The Hawaii Land Use Commission (as to the alleged takings claim resulting from the Hawaii Land Use Commission’s reversion to agricultural classification of land). The litigation has now concluded in favor of the State.

(iv) The Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”) (as to claims of retired state employees that their health care benefits have been diminished or impaired in violation of Article XVI, Section 2 of the State Constitution as a result of the State’s, EUTF’s, and the EUTF Board’s breach of contract, negligence, and breach of fiduciary duties). The State intends to defend vigorously against such claims brought against the State, the EUTF, and the EUTF Board.

TAX MATTERS

General Matters

Bond Counsel is of the opinion that interest on the Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under existing State of Hawaii statutes, the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Hawaii or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Bonds under the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations promulgated thereunder (the “Regulations”), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Bonds.

In general, interest paid on the Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium

An investor that acquires a Bond for a cost greater than its remaining stated redemption price at maturity and holds such instrument as a capital asset will be considered to have purchased such instrument at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the instrument’s term using constant yield principles, based on the purchaser’s yield to maturity. Investors of any Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount

An investor that acquires a Bond for a price less than the adjusted issue price of such instrument may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a Bond originally issued at a discount, the amount by which the issue price of such instrument, increased by all

accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Bond not originally issued at a discount, the amount by which the stated redemption price of such instrument at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the instrument, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such an instrument; or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis, or (b) in proportion to the accrual of stated interest or, in the case of a Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Bond that acquired such instrument at a market discount also may be required to defer, until the maturity date of such instrument or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such instrument in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such instrument. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held such instrument and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Bonds and to gain on the sale of a Bond.

Sales or Other Dispositions

If an owner of a Bond sells the instrument, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such instrument. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Bond should consult its own tax advisor concerning the circumstances in which such instrument would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance

The legal defeasance of a Bond may result in a deemed sale or exchange of such instrument under certain circumstances. The Owner of such a Bond should consult its tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds, if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors

An owner of a Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Bond; provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax may apply to interest paid and original issue discount accruing on Bonds owned by foreign investors. In those instances in which payments of interest on the Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Bond.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Bond incurs acquisition indebtedness with respect to such instrument, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3 (as modified by Section 3(42) of ERISA), such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans," and together with arrangements that are subject to Section 4975 of the Code or similar provisions under any other federal, state, local, non-United States or other laws or regulations or similar law, as applicable, "Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Bonds, could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the issuer or conduit borrower, if any, of the Bonds or any dealer of the Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Bonds are acquired by such plans or arrangements with respect to which the issuer or any conduit borrower of the Bonds or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds. The sale of the Bonds to a Plan is in no respect a representation by the issuer or conduit borrower, if any, of the Bonds or any dealer that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular Plan. Any plan proposing to invest in the Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Neither the State nor the Underwriters is acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such purchaser or transferee with respect to the decision to purchase or hold the Bonds or an interest in the Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the State. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix G hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield and Wood LLP.

RATINGS

Moody's Investors Service, S&P Global Ratings Inc. and Fitch Ratings have rated the Bonds "Aa2" (stable outlook), "AA+" (stable outlook) and "AA" (positive outlook), respectively. Generally, a rating agency bases its rating on the information and materials so furnished and on investigations, studies and assumptions made by such rating agency. Such ratings reflect only the respective views of such rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward, suspended or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. The State undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

BofA Securities, Inc., Barclays Capital Inc., Raymond James & Associates, Inc., Goldman Sachs & Co. LLC and Jefferies LLC (collectively, the "Underwriters"), have agreed to purchase the Bonds at an aggregate purchase price of \$ _____ which is equal to the principal amount of the Bonds, plus/less original issue premium/discount of \$ _____, less an aggregate underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of such Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

BofA Securities, Inc. has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc., may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc., may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

MUNICIPAL ADVISOR

The State has retained Public Resources Advisory Group (the "Municipal Advisor") as municipal advisor with respect to the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm. The fees of the Municipal Advisor are contingent on the issuance and delivery of the Bonds.

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS AND PROJECTIONS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward looking statements. The State does not plan to issue any updates or revisions to those forward-looking statements if and when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur, unless such updates or revisions are made in the course of fulfilling its continuing disclosure obligations, as described under “CONTINUING DISCLOSURE.”

Certain statements set forth in this Official Statement constitute “projections” and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future information. Neither the State’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Certificate (the “Disclosure Certificate”) in the form set forth in Appendix F hereto, for the benefit of the holders and Beneficial Owners of the Bonds, agreeing to provide certain financial information and operating data relating to the State with respect to its general obligation bonds and certificates of participation electronically to the Municipal Securities Rulemaking Board (the “MSRB”) annually and to provide notice to the MSRB of the occurrence of certain enumerated events pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. §240.15c2-12) (the “Rule”). See “Appendix F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

A failure by the State to comply with the Disclosure Certificate will not constitute an event of default of the Bonds, although any Bondholder or any Beneficial Owner may bring action to compel the State to comply with its obligations under the Disclosure Certificate. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL STATEMENTS

The General Purpose Financial Statements and additional information as of and for the year ended June 30, 2025, included in the State's Annual Comprehensive Financial Report referenced in Part II of Appendix B, have been audited by Accuity LLP, independent auditors, as stated in their report appearing therein, which is based in part on the reports of other auditors (which report expresses an unmodified opinion on the financial statements). There can be no assurance that the information in such Annual Comprehensive Financial Report is indicative of the current financial position or future financial performance of the State.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Neither this Official Statement, nor any statement that may have been made verbally or in writing, is to be construed as a contract with the holders of any of the Bonds.

The Department of Budget and Finance, State of Hawaii, has prepared this Official Statement and has duly authorized the delivery hereof.

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APPENDIX A

GENERAL INFORMATION ABOUT THE STATE OF HAWAII

The statistical information presented by this Appendix A is the most current information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INTRODUCTION

General

The State was admitted into the Union on August 21, 1959, as the fiftieth state. It is an archipelago of eight major islands, seven of which are inhabited, plus 124 named islets, totaling 6,425 square miles in land area, located in the Pacific Ocean in the Northern Hemisphere, mostly below the Tropic of Cancer, about 2,400 statute miles west of San Francisco. The State is slightly larger than the combined area of the States of Connecticut and Rhode Island and ranks forty-seventh of the fifty states in land area, being also larger in area than the State of Delaware. The island of Hawaii is the largest island, with 4,028 square miles in area. The other inhabited islands, in order of size, are Maui, Oahu, Kauai, Molokai, Lanai and Niihau. According to the U.S. Census, the total population of the State was 1,455,271 in 2020, making the State the 40th most populous state in the Union as of 2020. The City and County of Honolulu consists of the island of Oahu (plus some minor islets) with a land area of 599.8 square miles. The capital of the State and its principal port are located on Oahu. According to the 2020 U.S. Census, 69.9% of the population of the State lives on Oahu. Hawaii's population exhibits greater ethnic diversity than other states because it is descended from immigrants from Asia as well as from Europe and the mainland United States. Based on the 2020 U.S. Census, approximately 37.2% of the State's population is of Asian descent and 22.9% of the State's population is white. Native Hawaiians and other Pacific Islanders constitute approximately 10.8% of the population. Approximately 25.3% of Hawaii residents are multi-racial. The balance consists of people of other races, such as African Americans and American Indians.

State Government

The Constitution of the State provides for three separate branches of government: the legislative branch, the judicial branch and the executive branch.

The legislative power is vested in a bicameral Legislature consisting of a Senate of 25 members elected for four-year terms and a House of Representatives of 51 members elected for two-year terms. The Legislature convenes annually. Among its powers, the Legislature has the ability to increase taxes and authorize the incurrence of debt without voter approval. See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL" and "— No Voter Initiative and Referendum" and "DEBT STRUCTURE" below.

Under the Constitution, the judicial power is vested in a Supreme Court, one intermediate appellate court, circuit courts, district courts, and such other courts as the Legislature may from time to time establish. Pursuant to statute, the Legislature has established four circuit courts, four district courts and an intermediate appellate court.

The executive power is vested in a Governor elected for a four-year term. In the event of the absence of the Governor from the State, or the Governor's inability to exercise and discharge the powers and duties of the Governor's office, the Lieutenant Governor, also elected for a four-year term as a team with the Governor, serves as the chief executive. The Governor and Lieutenant Governor are the only

directly elected executive branch officials. Among other powers, the Governor has executive authority to control spending by restricting, delaying or suspending appropriations. The Governor also has broad powers of appointment and authority to issue emergency proclamations across a broad spectrum of government functions.

The executive and administrative offices are limited to not more than twenty principal departments under the supervision of the Governor. The executive functions have been grouped into nineteen departments. The heads of the departments are appointed by the Governor, with the advice and consent of the Senate, with the exception of the Superintendent of Education, which is appointed by a Governor-appointed Board of Education, and the President of the University of Hawaii, which is appointed by a Governor-appointed Board of Regents. The Department of Budget and Finance is one of the principal departments permitted by the Constitution of the State, with the head of said department being designated as the Director of Finance. Under the general direction of the Governor, the Department of Budget and Finance administers the State's proposed six-year program and financial plan, the State budget, and financial management programs of the State, including issuance of bonds and financing agreements.

Term of Current Administration

The current Governor, Dr. Josh Green, was inaugurated as the ninth governor of the State on December 5, 2022. The State Constitution limits the Governor's term of office to two consecutive four-year terms. The terms of department heads appointed by the Governor, including the Director of Finance, end on December 7, 2026 with the exception of the Chairpersons of the Board of Agriculture, Board of Land and Natural Resources and Hawaiian Homes Commission whose terms end on December 31, 2026.

No Voter Initiative and Referendum

The Hawaii State Constitution and Hawaii state law do not authorize either State-wide voter initiatives (that is, the electoral process by which a percentage of voters can propose legislation and compel a vote on it to enact such a measure) or State-wide referendum actions (that is, the process of referring a state legislative act or an important public issue to the public for their final approval by public vote). The issuance of bonds is not subject to approval by public vote.

The Counties and Their Relationship to the State

There are four counties in the State: the City and County of Honolulu, the County of Maui, the County of Hawaii, and the County of Kauai (and one quasi county, Kalawao). Each of the counties has a separate charter for its government, each of which provides for an elected mayor and an elected council. The mayor is the chief executive and the council is the legislative body. There are no independent or separate cities or other municipalities, school districts or townships. The State government of Hawaii has total responsibility for many functions that are performed by or shared by local governments in most other parts of the United States. For example, the State pays all costs in connection with the public school system, libraries, public welfare, and judiciary. The greatest expenditures by the State in past years have been in the areas of education and public welfare. The counties' major areas of responsibility and expenditure are in police and fire protection, waste disposal, water and sewer facilities, and secondary streets and highways.

DEBT STRUCTURE

Types of Bonds Authorized by the Constitution

The Constitution of the State empowers the Legislature to authorize the issuance of four types of bonds (defined by the Constitution as bonds, notes and other instruments of indebtedness): general obligation bonds (defined by the Constitution as all bonds for which the full faith and credit of the State or a political subdivision are pledged to the payment of the principal and interest for such bonds and, unless otherwise indicated, includes reimbursable general obligation bonds hereinafter described); bonds issued under special improvement statutes; revenue bonds (defined by the Constitution as all bonds payable from revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law); and special purpose revenue bonds (defined by the Constitution as all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law, including a loan program to a state property insurance program providing hurricane coverage to the general public). Under the Constitution, special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist, manufacturing, processing or industrial enterprises, certain not for profit private schools, utilities serving the general public, health care facilities provided to the general public by not for profit corporations, early childhood education and care facilities provided to the general public by not for profit corporations, agricultural enterprises serving important agricultural lands, or low and moderate income government housing programs. All bonds of the State, other than special purpose revenue bonds, must be authorized by a majority vote of the members to which each house of the Legislature is entitled to vote. Special purpose revenue bonds of the State must be authorized by two-thirds vote of the members to which each house of the Legislature is entitled.

Outstanding Indebtedness and Debt Limit

The Constitution provides that determinations of the total outstanding indebtedness of the State and the exclusions therefrom shall be made annually and certified by law or as prescribed by law. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds in the current or any future fiscal year, whichever is higher, to exceed a sum equal to 18.5% of the average of the General Fund revenues of the State in the three fiscal years immediately preceding such issuance. For the purposes of such determination, General Fund revenues of the State do not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded in computing the total indebtedness of the State.

In order to carry out the provisions contained in the Constitution, the Legislature enacted Part IV of Chapter 39, HRS (“Part IV”), to require the Director of Finance to prepare statements of the total outstanding indebtedness of the State and the exclusions therefrom and of the debt limit of the State evidencing the power of the State to issue general obligation bonds and, prior to the issuance of any general obligation bonds, to find that the issuance of such bonds will not cause the debt limit of the State to be exceeded. Part IV provides that such statements shall be prepared as of July 1 of each year and submitted to the Legislature no later than December 1 of such year. The July 1, 2025 statement is the most recent such statement prepared and submitted to the Legislature. See “INFORMATION ABOUT INDEBTEDNESS” in Part I of Appendix B for a tabular summary of the statement of total outstanding indebtedness of the State and exclusions therefrom as of July 1, 2025, including general obligation bonded indebtedness, revenue bonded indebtedness, special assessment bonded indebtedness and special purpose revenue bonded indebtedness, and the permitted exclusions from the general obligation bonded indebtedness. See also “Appendix D—GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF

HAWAII” for a description of the general obligation bonds and general obligation refunding bonds of the State outstanding as of March 1, 2026.

The summary statement of debt limit of the State evidencing the power of the State to incur indebtedness sets forth the General Fund revenues of the State, exclusive of federal grants, for the fiscal years ended June 30, 2023, 2024 and 2025 and the net General Fund revenues after required exclusions, the average of the said three fiscal years, and the limit of total principal and interest which may be payable in any fiscal year. See “Table B-4—Summary Statement of the Debt Limit of the State of Hawaii” in Part I of Appendix B.

The greatest amount of principal and interest payable in any fiscal year on the outstanding general obligation indebtedness as the date of issuance of the Bonds, after giving effect to the issuance of the Bonds, and after exclusions therefrom permitted by the Constitution, is \$_____ in the fiscal year ending June 30, 20___. A summary of debt service on all general obligation bonded indebtedness of the State (including the Bonds) is set forth in “Table B-6—Summary of Debt Service” in Part I of Appendix B; however, the debt service excluded in that Table B-6 includes reimbursements that are made as required, regardless of whether such reimbursements may be excluded under the Constitution, as described below under “—Exclusions.”

As calculated from the State Comptroller’s Bond Fund report as of December 31, 2025, the amount of authorized but unissued general obligation bonds (including the Bonds) is \$5,639,020,933.19. Such amount does not include general obligation refunding bonds. These authorized but unissued general obligation bonds are scheduled to be issued prior to June 30, 2027.

In 2015, the Legislature passed Act 149, SLH 2015, requiring the Director of Finance to develop and submit a formal debt management policy to the Legislature and to submit a debt affordability study before the regular session of each odd-numbered year convenes to provide the Legislature with information on the affordability of the future debt planned for the State. The initial debt management policy and debt affordability study were completed and submitted to the Legislature in December 2016. Prior to 2015, the State had relied upon the requirements in the Constitution as the principal guide for issuing debt.

The most recent debt affordability study was submitted to the Legislature in December 2024. The December 2024 study, prepared by PFM Financial Advisors LLC on behalf of the State and the Department of Budget and Finance, concluded with respect to the State General Fund that based on assumptions within, the State is anticipated to be able to afford the additional debt issuances currently planned by the State, as long as the new issuances keep pace with the State’s economic expansion and revenue growth. The study emphasized the importance of maintaining a sufficiently high general fund balance and strong liquidity position in addressing challenges to financial flexibility and debt affordability caused by the State’s high debt-to-GDP and debt-to-personal income ratios and pension and OPEB liabilities. The study highlighted these and certain other financial challenges faced by the State, but also acknowledged strengths, including a demonstrated use of budgetary flexibility and growing and maintaining strong reserve levels while remaining committed to funding pension and OPEB obligations. The State anticipates that the debt affordability study will be further updated by the end of calendar year 2026.

See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B.

Exclusions

The Constitution contains nine general provisions excluding certain types of bonds (including certain general obligation bonds) when determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision. Six of these exclusions are described below. As stated above, the limitation on indebtedness of the State under the Constitution applies only to the power to issue general obligation bonds, and the limitation is measured by the debt service on general obligation bonds against the three-year average of General Fund revenues. The three exclusions relating to revenue bonds, special purpose revenue bonds, and bonds issued under special improvement statutes for which the only security is the properties benefited or assessments thereon are chiefly of concern to counties when computing the funded debt of counties. Accordingly, those provisions are not discussed in this Official Statement. However, the complete provisions of Sections 12 and 13 of Article VII of the Constitution relating to the incurring of indebtedness by the State and its political subdivisions are set forth in Appendix C.

One of the nine exclusionary provisions excludes bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then current fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

Another of the exclusionary provisions excludes reimbursable general obligation bonds (defined in the Constitution as general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be derived for the payment of the principal and interest as reimbursement to the General Fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the General Fund is required by law to be made from the revenues of the political subdivision) issued for a public undertaking, improvement or system, but only to the extent that reimbursements to the General Fund are made from the net revenues, or net user tax receipts, or combination of both, derived from the particular undertaking, improvement or system or payments or return on security under a loan program or a loan thereunder for the immediately preceding fiscal year, with the result that the amount of reimbursable general obligation debt excluded will vary from year to year. A "user tax" is defined by the Constitution as a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system; provided that mortgage recording taxes shall constitute taxes of a State property insurance program. Thus, for example, the aviation fuel tax is a user tax insofar as the airports system of the State is concerned, since the tax is substantially derived from the sale of a good (aviation fuel) in the utilization of the functions of the airports, but the aviation fuel tax would not be a user tax so far as schools or a stadium is concerned, since the tax is not derived from the consumption or use or sale of goods in using schools or a stadium.

Two other exclusionary provisions exclude (a) reimbursable general obligation bonds of the State issued for any political subdivision, but only for so long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law, and (b) general obligation bonds issued for assessable public improvements to the extent reimbursements to the General Fund for principal and interest on such bonds are in fact made from assessment collections available therefor.

One other exclusionary provision excludes bonds constituting instruments of indebtedness under which the State incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not

otherwise excluded by the exclusionary provisions of the Constitution and subject to the condition that the State shall establish a reserve in an amount in a reasonable proportion to outstanding loans guaranteed by the State. This exclusion is intended to permit the exclusion of such items as general obligation guarantees of loans under State loan programs to the extent the principal amount of such items does not exceed 7% of the outstanding principal amount of general obligation bonds not otherwise excluded. At such time as the principal amount of such items exceeds 7% of the outstanding principal amount of general obligation bonds not otherwise excluded, the potential debt service on all such items in excess of 7% of the outstanding principal amount of general obligation bonds not otherwise excluded would be included in determining the power of the State to incur indebtedness.

A final exclusionary provision excludes bonds issued by or on behalf of the State or a political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

Other Constitutional and Statutory Provisions

General obligation bonds of the State must be authorized pursuant to the Constitution by a majority vote of the members to which each house of the Legislature is entitled to vote. The Legislature from time to time enacts laws specifying the amount of such bonds (without fixing any particular details of such bonds) that may be issued and defining the purposes for which the bonds are to be issued.

The Constitution requires that general obligation bonds of the State with a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest, the first installment of principal to mature not later than five years from the date of the issue of such series and the last installment to mature not later than 25 years from the date of such issue, except that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds, and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than 35 years from the date of such issue.

Part I of Chapter 39, HRS, as amended, is the general law for the issuance of general obligation bonds of the State. Such part sets forth limitations on general obligation bonds, such as interest rates and maturity dates, and also sets forth the provisions for the sale and form of such bonds. Such part provides that the Director of Finance, with the approval of the Governor, may issue from time to time general obligation bonds of the State in accordance with acts of the Legislature authorizing the issuance of such bonds and defining the purposes for which such bonds are to be issued.

The Governor determines when the projects authorized by the acts authorizing bonds shall commence. General obligation bonds are sold from time to time pursuant to the authorization of such acts and Part I of Chapter 39, HRS, as amended, in order to finance the projects. The Governor then allots the proceeds of the bonds so issued to the purposes specified in the acts authorizing bonds.

Section 11 of Article VII of the Constitution provides that all appropriations for which the source is general obligation bond funds or the General Fund must be for specified periods which may not exceed three years. Any appropriation or any portion of an appropriation which is unencumbered at the close of the fiscal period for which the appropriation is made will lapse; provided that no appropriation or portion thereof for which the source is general obligation bond funds shall lapse if the Legislature determines that such appropriation is necessary to qualify for federal aid financing and reimbursement. A general obligation bond authorization, to the extent such authorization is dependent on a specific appropriation,

must be reduced in an amount equal to the amount of appropriation lapsed by operation of law or Section 11 of Article VII of the Constitution.

Set forth in Appendix C are the provisions of Sections 11, 12 and 13 of Article VII of the Constitution applicable to the incurring of indebtedness by the State and its political subdivisions.

Financing Agreements (Including Leases)

HRS Chapter 37D provides for financing agreements (including leases and installment sale agreements) for the improvement, use or acquisition of real or personal property which is or will be owned or operated by the State or any State agency and specifies that any such financing agreement shall not be an obligation for which the full faith and credit of the State or any State agency is pledged, and that no moneys other than amounts appropriated by the Legislature or otherwise held in trust for such purposes shall be required to be applied to the payment thereof. The Legislature is not required to appropriate moneys for such purpose, and financing agreements do not constitute “bonds” within the meaning of Section 12 or Section 13 of Article VII of the Constitution including but not limited to for debt limitation purposes. Chapter 37D does provide that the Governor’s Executive Budget shall include requests to the Legislature for appropriation of moneys to pay amounts due each fiscal period under financing agreements. See “INFORMATION ABOUT INDEBTEDNESS—Certificates of Participation and Lease Purchase Agreements” in Part I of Appendix B.

Reimbursement to State General Fund for Debt Service

As indicated above, all general obligation bonds of the State are payable as to principal and interest from the General Fund of the State. Acts of the Legislature authorizing the issuance of general obligation bonds for certain purposes frequently (but not always) require that the General Fund be reimbursed for the payment from such fund of the debt service on such bonds, such reimbursement to be made from any income or revenues or user taxes derived from the carrying out of such purposes. Such income or revenues or user taxes are not pledged to the payment of such bonds. Reimbursement is made from the income or revenues or user taxes derived from or with respect to such highways, harbor and airport facilities, land development, economic development projects, university projects, State parking facilities and housing programs. Of the bonds referred to in this paragraph: (a) reimbursement to the General Fund of general obligation bonds issued for highways is made exclusively from the tax on motor fuel and does not include any revenues such as toll revenue, and (b) reimbursement to the General Fund of general obligation bonds issued for airports is made from the aviation fuel tax as well as from airports system revenues. See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Special Funds” below for a description of such taxes. Reimbursement to the General Fund of all the other general obligation bonds referred to in this paragraph is made from non-tax revenues, such as from wharfage and dockage charges, pier rentals and other charges for harbor facilities; from land sales or rentals; and from dormitory and dining hall revenues and income from other ancillary facilities.

Some of the bonds referred to in the immediately preceding paragraph do not constitute “reimbursable general obligation bonds” excludable from the debt limit because they are not issued for the type of public undertaking, improvement or system to which the constitutional provisions for such exclusion pertain. See “DEBT STRUCTURE—Exclusions” below. See “Table B-5—General Obligation Bonds Outstanding” in Part I of Appendix B for a tabular summary of reimbursable and non-reimbursable general obligation bonds.

TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL

Introduction

The State receives its revenues from taxes, fees and other sources. The Department of Taxation, headed by the Director of Taxation, is charged with the responsibility of administering and enforcing the tax revenue laws and the collection of most taxes and other payments payable thereunder. All tax revenues of the State are credited to one or the other of the two operating funds maintained by the State, designated respectively as the General Fund and Special Funds. The revenues and expenditures for the last five fiscal years of the General Fund are set forth in Part I of Appendix B.

The State Constitution does not prohibit or limit the power of taxation and reserves all taxing power to the State, except to the extent delegated by the Legislature to the political subdivisions of the State and except all the functions, powers and duties related to real property taxation, which is exercised exclusively by the counties. The State cannot at this time predict the impact, if any, of enacted changes to the federal individual and corporate income tax laws on the tax revenues of the State, nor can it predict the impact on such tax revenues of any other proposed changes that may currently be under consideration or discussion.

The State Constitution requires the establishment of a tax review commission to be appointed as provided by law every five years. The purpose of such commission is to submit to the Legislature an evaluation of the State's tax structure and to recommend revenue and tax policy, after which such commission is dissolved. The State Constitution does not require action by the Legislature with respect to the recommendations as submitted. The Legislature has the option of accepting or rejecting all or portions of the commission's findings. The most recent Tax Review Commission was appointed in 2020 and issued its report to the 2022 legislative session on December 20, 2021. Although the Legislature did not act on most of the recommendations, it did increase funding for the Department of Taxation as recommended by the Commission.

General Fund

The General Fund is used to account for resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. The appropriations acts adopted by the Legislature provide the basic framework in which the resources and obligations of the General Fund are accounted. The operating appropriations and the related General Fund accounting process complement each other as basic control functions in the general administration of the government.

Prior to being amended in recent years as described below, Section 6 of Article VII of the State Constitution provided that whenever the General Fund balance at the close of each of two successive fiscal years exceeds 5% of General Fund revenues for each of the two years, the Legislature in the next regular session shall provide for a tax refund or tax credit to the taxpayers of the State, as provided by law. The State Constitution does not specify the amount of, or a formula for calculating, any such tax refund or tax credit.

In November 2010, Section 6 of Article VII was amended to add a second option for the use of such excess revenues. As an alternative to providing for a tax refund or tax credit, the Legislature was authorized to make a deposit into one or more funds that serve as temporary supplemental sources of funding in times of an emergency, economic downturn or unforeseen reduction in revenues, as provided by law. Act 138, SLH 2010, provided for the transfer of 5% of the General Fund fiscal year-end balance into the Emergency and Budget Reserve Fund ("EBRF") whenever State General Fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%; however, no such

transfer shall be made whenever the balance of the EBRF is equal to or more than 10% of General Fund revenues for the preceding fiscal year. See “—Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund” below for additional information on the EBRF.

In November 2016, Section 6 of Article VII was further amended to add more options to use excess revenues. In addition to providing for a tax refund or tax credit or making a deposit into one or more funds that serve as temporary supplemental sources of funding in times of an emergency, economic downturn, or unforeseen reduction in revenues, the Legislature may appropriate general funds for the pre-payment of either or both of debt service for general obligation bonds issued by the State or pension or other post-employment benefit (“OPEB”) liabilities accrued for State employees. Act 6, SLH 2017, established provisions to prepay general obligation bond debt service, OPEB liabilities, and pension liabilities in accordance with the 2016 Constitutional amendment.

In fiscal years 2020 and 2021, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the Legislature passed Act 115, SLH 2022, to provide for a \$100 or \$300 refund depending on filing status and income in 2022, which caused an approximately \$315 million decline in fiscal year 2023 General Fund revenues. Act 115 also provided appropriations for deposits of up to \$500 million in the EBRF, which deposit was made, and up to \$300 million in the Pension Accumulation Fund, which subsequently lapsed.

In fiscal years 2021 and 2022, General Fund revenues also exceeded the respective previous years’ (fiscal years 2020 and 2021) General Fund revenues by more than 5%, and the EBRF balance for fiscal year 2022 was less than 10% of fiscal year 2021 General Fund revenues. Therefore, the Director of Finance transferred 5% of the fiscal year 2022 General Fund balance, or approximately \$130 million, to the EBRF pursuant to Section 328L-3, HRS during the second quarter of fiscal year 2023.

For fiscal years 2022 and 2023, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2024 Legislature passed HB 40 that included deposits of \$300 million into EBRF and \$135 million into the Pension Accumulation Fund. However, citing the Maui wildfire recovery efforts, other State priorities, the EBRF’s balance of more than \$1.5 billion (it’s highest yet), and the State’s continued commitment to making regular payments on unfunded liabilities including its pension obligations, the Governor reduced the deposits to \$1 to EBRF and \$1 to the Pension Accumulation Fund. As amended, HB 40 was enacted as Act 229, SLH 2024 on July 9, 2024.

For fiscal years 2023 and 2024, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2025 Legislature passed Act 267, SLH 2025, to authorize \$1 million to be deposited into EBRF that will be made in fiscal year 2026.

For fiscal years 2024 and 2025, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2026 Legislature will be required to 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 OPEB liabilities. In fiscal years 2024 and 2025, General Fund revenues did not exceed the respective previous years’ (fiscal years 2023 and 2024) General Fund revenues by more than 5%.

Taxes and Other Amounts Deposited in General Fund

The proceeds of the taxes described below are deposited to the General Fund. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Actual Collections and Distributions” in Part I of Appendix B. The data below is generally for fiscal year 2025. As described in “SELECTED FINANCIAL STATEMENTS” in Part I of Appendix B to this Official Statement, this may not be representative of results in other fiscal years, including fiscal year 2025 and thereafter.

Individual and corporate income taxes, general excise and use taxes, public service company taxes, estate and certain transfer taxes, a franchise tax on financial corporations, liquor and tobacco taxes, transient accommodations taxes, insurance premium taxes and other taxes are deposited entirely or in part to the General Fund. For fiscal year 2025, these General Fund taxes represented approximately 91% of all tax revenues of the State, and approximately 93.94% of all General Fund revenues (as reported by the Department of Accounting and General Services (“DAGS”)). See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B. Pursuant to Act 72, SLH 2022, from the revenues collected under chapter 241 each fiscal year, the first \$2,000,000 of such revenues will be deposited with the Director of Finance to the credit of the compliance resolution fund as established pursuant to section 26-9(o) before tax credits are realized, and any revenues collected in excess of \$2,000,000 at the close of any fiscal year shall be deposited into the General Fund.

The following Table A-1 provides the actual General Fund tax revenues for fiscal year 2025 as reported by DAGS. The tax revenue numbers are reported by DAGS on a cash basis and may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues (see Table B-12 under “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Tax Revenues” in Appendix B). As of December 2025, year-to-date General Fund tax revenues were down 7.7% compared to the same period in fiscal year 2025; however, the revenues falling within fiscal year 2025 included an extraordinary \$350 million inheritance tax payment. Excluding such payment, fiscal year 2026 year-to-date revenues would only be down by 1.4% compared to fiscal year 2025.

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TABLE A-1
General Fund Tax Revenues
(in thousands)

Description	Fiscal Year 2025	% of Total Taxes*
General Excise	\$4,600,614	41.86%
Individual Net Income	3,287,127	29.91
Transient Accommodations **	716,905	6.52
Inheritance	405,766	3.69
Corporation Net Income	400,297	3.64
Premiums Of Insurance Companies	218,833	1.99
Public Service Companies (Act 147, SLH 1963)	154,478	1.41
Tobacco	56,922	0.52
Conveyance (Act 10, SLH 1966)	52,943	0.48
Liquor	50,149	0.46
Environmental Response Tax	21,824	0.20
Franchise (Banks and Other Financial Corp)	8,296	0.08
Rental Motor Vehicle Surcharge Tax	<u>2</u>	<u>0.00</u>
TOTAL	<u>\$9,974,156</u>	<u>90.75%</u>

Note: Totals reflect rounding.

* Percentages are calculated on all State taxes. See "Table A-4—Special Fund Tax Revenues" for other State taxes.

** Net of transfers described below under "*Transient Accommodations Tax*."

General Excise and Use Tax. The general excise tax (the "GET") is a tax imposed on businesses for the privilege of doing business in Hawaii and is assessed at various percentage rates on the gross income businesses derive from activity in the State. Businesses or consumers also may need to pay the use tax on the value of personal property, services, and contracting that are brought into Hawaii from anywhere outside Hawaii. The tax is based upon the purchase price or value of the tangible personal property, contracting, or services purchased or imported, whichever is applicable. The general excise tax rate varies depending on the business activity; it is 0.15% on insurance commissions, 0.5% on certain activities such as wholesaling, and 4% on most activities at the consumer level (which 4% rate has not been adjusted since 1960). For fiscal year 2025, the General Fund portion of the general excise tax comprised approximately 42% of all State taxes (as reported by DAGS).

Act 47, SLH 2024 exempts the medical services that health care providers provide to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax beginning January 1, 2026.

Under the authorization of Act 1, 1st Special Session SLH 2017, each county enacted ordinances that allow such county to impose a county surcharge on the general excise tax and/or extend the sunset date of such surcharge to December 31, 2030 (the State's base rate does not sunset). The following Table A-2 provides a summary of the current county surcharge and maximum general excise tax pass-on rates:

TABLE A-2
County Surcharge & Maximum General Excise (GE) Tax Rates

County	State Base Rate	Surcharge Rate ¹	Effective Date of Surcharge
Hawaii	4.00%	0.50%	January 1, 2020 - December 31, 2030
Honolulu	4.00	0.50	January 1, 2007 - December 31, 2030
Kauai	4.00	0.50	January 1, 2019 - December 31, 2030
Maui	4.00	0.50	January 1, 2024 - December 31, 2030

* The GET is levied on the gross receipts of a business, including amounts that are passed on and collected as GET from customers. To account for this imposition, the maximum rate that may be passed on to customers is higher than the statutory rate of 4.5% (4% GET + 0.5% county surcharge).

¹ Counties are authorized to adopt a surcharge on the 4% GET rate.

Source: State of Hawaii Department of Taxation

Income Taxes. Net taxable income (gross income less exclusions and deductions) for both individuals and corporations is subject to a State income tax. Although there are differences, State income tax law generally follows the federal Internal Revenue Code in computing the net taxable income. For taxable years beginning after December 31, 2017, the individual income tax has twelve tax brackets, with rates ranging from 1.40% to 11.00%. The income tax rates for estates and trusts range from 1.4% to 8.25%. Corporate income tax rates range from 4.4% to 6.4%. For fiscal year 2025, individual income taxes comprised approximately 30% of all State taxes (as reported by DAGS).

2024 Income Tax Reform. Act 46, SLH 2024, amends the standard deduction for taxable years beginning after December 31, 2023, December 31, 2025, December 31, 2027, December 31, 2029, and December 31, 2030. Act 46, SLH 2024, also amends the income tax brackets to increase the maximum income level in each such bracket. This is effective in three successive steps for taxable years beginning after December 31, 2024, beginning after December 31, 2026, and beginning after December 31, 2028. Marginal tax rates themselves are unchanged by such amendments. The effect of increasing the maximum income in each tax bracket combined with leaving marginal rates unchanged is to reduce effective tax rates for each such bracket.

In January 2026, Governor Dr. Josh Green proposed an indefinite pause to the changes made by Act 46, SLH 2024, which are scheduled to go into effect in 2027 and thereafter to offset reductions in revenues forecasted by the Council on Revenues (which forecasts assume that the changes made by Act 46 will go into effect as currently scheduled). The changes proposed by the Governor would require legislative action, and House Bill 2306 and Senate Bill 3125 have been introduced in the current session of the Legislature to effect the changes. No assurance can be given, however, that such bills will ultimately be enacted at all or in their current forms. Notwithstanding the possibility that such bills may not be enacted, the State’s current general fund financial plan incorporates such a pause into its assumptions. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Introduction” and “—General Fund Financial Plan” in Part I of Appendix B.

Transient Accommodations Tax. The transient accommodations tax (“TAT”) is levied on the furnishing of a room, apartment, suite, single family dwelling, shelter or similar, customarily occupied for less than 180 consecutive days for each letting by a hotel, apartment hotel, motel, condominium or condominium unit, cooperative apartment, vehicle equipped with or advertised as including sleeping accommodations, dwelling unit, or rooming house that provides living quarters, sleeping accommodations or other place in which lodgings are regularly furnished to transients for consideration, including the fair market rental value of time share vacation units. Act 121, SLH 2015, prioritized the distribution of TAT revenues to the following order, with the excess revenues to be deposited into the General Fund: (1) \$1.5 million to the Turtle Bay conservation easement special fund beginning July 1, 2015, (2) \$26.5 million to

the convention center enterprise special fund, (3) \$82.0 million to the Tourism Special Fund and (4) \$103.0 million to the counties for each of fiscal year 2015 and fiscal year 2016. Act 117, SLH 2015, allocated \$3 million to the special land and development fund, beginning July 1, 2016. Act 233, SLH 2016, extended the allocation of \$103 million to the counties to fiscal year 2017 and \$93.0 million for each fiscal year thereafter. Act 1, 1st Special Session SLH 2017, extended the annual allocation of \$103 million to the counties to fiscal year 2018 and thereafter. Act 86, SLH 2018, reduced the annual allocation to the Convention Center Special Fund from \$26.5 million to \$16.5 million and reduced the annual allocation to the Tourism Special Fund from \$82 million to \$79 million, effective July 1, 2017. Act 1, 1st Special Session SLH 2017, also increased the TAT rate from 9.25% to 10.25% effective January 1, 2018 and allocates through December 31, 2030 the increased revenues to the Mass Transit Special Fund to fund the capital costs of a locally preferred alternative for a mass transit project for the City and County of Honolulu.

Pursuant to the Governor's emergency proclamations, all of the allocations described above were suspended due to the COVID-19 emergency from March 2020 to July 2021, including the \$103 million payment to the counties. Act 1, Special Session SLH 2021, lowered the annual allocation to the Convention Center Special Fund from \$16.5 million to \$11 million and eliminated the annual allocations to the Tourism Special Fund and to the counties, effective July 1, 2021. The Act also allowed the counties to establish their own TAT at a rate not to exceed 3% and provided for an appropriation of \$60 million in fiscal year 2022 to the Hawaii Tourism Authority from federal funds received by the State under the American Rescue Plan Act ("ARPA"). As of January 1, 2022, each county had established and made effective a local TAT at a rate of 3.0%. The effective total and combined TAT is at a rate of 13.25% in each of the counties. For fiscal year 2025, the General Fund portion of the TAT comprised approximately 7% of all State taxes (as reported by DAGS).

2026 Increase to TAT ("Green Fee"). Act 96, SLH 2025 increases the TAT from 10.25% to 11% for the period beginning January 1, 2026 and ending December 31, 2030. Act 96 also imposes the TAT at the 11% rate on cruise ship operators' gross rental proceeds derived from cruise fares, prorated by the ratio of days docked in any port in the State to the total number of days of the voyage. Act 96 requires that the Governor request in the State budget that an amount of general funds which approximates the additional revenue generated by such additions to the TAT for the purposes of (a) protecting, managing, and restoring the State's natural resources, (b) increasing the resilience of structures and infrastructure to natural and climate-related disasters, and (c) improving the visitor experience, mitigating the impacts of tourism on the natural environment, and ensuring that the State's natural resources are maintained for future residents and visitors.

The United States Court of Appeals for the Ninth Circuit enjoined enforcement of the portions of Act 96 that relate and apply to cruise ships in an order issued on December 31, 2025 and clarified on January 2, 2026. See *Cruise Lines Int'l Ass'n, Inc. v. Saganuma*, Nos. 25-8057, 25-8058 (9th Cir.). Accordingly, and until further notice, the Department of Taxation announced it will refrain from enforcing Act 96 as it relates and applies to cruise ships. See Department of Taxation Announcement No. 2026-01 for more details.

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The following Table A-3 provides a summary of the current surcharge and TAT rate for each county:

TABLE A-3
County Surcharge & Transient Accommodations Tax Rate

County	State Base Rate ¹	Surcharge Rate	Total Rate
Honolulu	10.25%	3.00%	13.25%
Kauai	10.25	3.00	13.25
Hawaii	10.25	3.00	13.25
Maui	10.25	3.00	13.25

¹ TAT base rate for FY 2025. Act 96, SLH 2025 increased the TAT base rate by 0.75% to 11% effective January 1, 2026. See “2026 Increase to TAT (“Green Fee”)” above.

Other Taxes. The General Fund also receives revenues from several other taxes. The public service company tax is a tax on the gross income from the public utility business of public utilities in lieu of the general excise tax. The tax rate on the gross income of public service companies ranges from 0.5% (for sales for resale) to 8.2%. For a public utility, only the first 4% is allocated to the State, and any excess over 4% is distributed to counties that: (1) provide by ordinance for a real property tax exemption for real property used by the public utility in its public utility business and owned by the public utility, or leased by the public utility under a lease requiring the public utility to pay the taxes on the property, and (2) have not denied the exemption to the public utility. For a carrier of passengers by land between points on a scheduled route, the gross income is taxed at 5.35%, all of which is realized by the State. The estate tax is a tax on the transfer of a taxable estate and is based on the federal taxable estate, but has its own tax rate schedule, with tax rates varying from 10.0% to 20.0%. The generation skipping tax is also based on the federal taxable transfer but has its own tax rate (currently 2.25%). The banks and financial corporations tax is a franchise tax (in lieu of net income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or subsidiaries not subject to the taxes discussed above. The tax is assessed on net income for the preceding year from all sources at a rate of 7.92%. The insurance premiums tax is a tax on insurance companies (underwriters) based on premiums written in the State in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax rates range between 0.8775% and 4.68% depending on the nature of the policy. There is also an excise tax on those who sell or use tobacco products, a gallonage tax imposed on those who sell or use liquor, and a gallonage tax imposed on distributors of liquid fuel.

Non-tax Revenues. Other amounts deposited to the General Fund are derived from non-tax sources, including investment earnings, rents, fines, licenses and permits, grants, charges for administrative services and other sources. From fiscal years 2004 to 2008, fiscal year 2010, fiscal years 2012 to 2016, and fiscal year 2018 and 2019 non-tax revenues averaged approximately 10% to 12% of General Fund revenues. In fiscal year 2009 and 2011, however, non-tax revenues were approximately 16% of total General Fund revenues, primarily as a result of one-time revenue sources. In fiscal year 2017, non-tax revenues were approximately 14% of total General Fund revenues, primarily as a result of the one-time increase in premiums on bonds sold and the first full year of reimbursements from non-general funds for OPEB. In fiscal year 2020, non-tax revenues were approximately 19% of total General Fund revenues, primarily as a result of the one-time transfer of \$648 million from the Emergency and Budget Reserve Fund. In fiscal year 2021, non-tax revenues were approximately 19% of total General Fund revenues primarily due to a one-time \$750 million working capital loan which was taken out during the fall of 2021 (prior to the availability of additional federal funding authorized in early 2022) to provide contingency cashflow because

of the impact of COVID-19 travel restrictions on General Fund revenues. In fiscal years 2023 and 2024, non-tax revenues were approximately 10% of General Fund revenues primarily due to the proportionate increased levels of General Fund tax revenues compared to previous fiscal years.

Special Funds

Special Funds are used to account for revenues designated for particular purposes. Unlike the General Fund, Special Funds have legislative or other restrictions imposed upon their use. Special Funds are not a source of payment for the Bonds. Special Funds are used primarily and extensively for highway construction and maintenance, harbor and airport operations, hospital operations, housing and homestead programs, certain programs in the area of public education and the University of Hawaii, business regulation, consumer protection, environmental management and tourism and other economic development. The types of revenues credited to the various Special Funds are user tax receipts (fuel taxes), revenues from public undertakings, improvements or systems (airports, harbors and university revenue producing undertakings, among others), and various business, occupation and non-business licenses, fees and permits.

The following Table A-4 provides the special fund tax revenues for fiscal year 2025 as reported by DAGS. (Please note that the tax revenue numbers reported by DAGS may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues):

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TABLE A-4
Special Fund Tax Revenues
(in thousands)

Description	Fiscal Year 2025	% of Total Taxes*
General Excise	\$357,887	3.26%
Rental Motor Vehicle Surcharge Tax	117,978	1.07
Transient Accommodations	94,258	0.86
State Motor Vehicle Weight	92,469	0.84
Liquid Fuel - Highways	75,909	0.69
State Vehicle Registration Fee	55,025	0.50
Conveyance (Act 10, SLH 1966)	43,100	0.39
Tobacco	15,176	0.14
Environmental Response Tax	3,948	0.04
Premiums Of Insurance Companies	3,293	0.03
Liquid Fuel - Aviation	2,642	0.02
Employment & Training Fund Assessment	2,161	0.02
Franchise (Banks And Other Financial Corp)	2,000	0.02
Liquid Fuel - Small Boats	1,653	0.02
Electric Vehicle/Alternative Fuel Surcharge	1,534	0.01
Corporation Net Income	19	0.00
TOTAL	\$869,052	7.91%

Note: Totals reflect rounding.

* Percentages are calculated on all State taxes.

Fuel taxes, motor vehicle taxes, rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge taxes and unemployment insurance taxes are deposited into Special Funds. In addition, portions of the tobacco taxes, transient accommodations taxes, environmental response, energy, food security taxes, and conveyance taxes are deposited into Special Funds (and portions of these taxes are deposited into the General Fund). In fiscal year 2025, taxes deposited into Special Funds were approximately 8% of the total tax revenues of the State (as reported by DAGS). Distributors are required to pay taxes on aviation fuel, diesel oil, alternative fuels for operation of an internal combustion engine and on liquid fuels other than the foregoing, e.g., on gasoline used to operate motor vehicles upon the public highways. The State has a vehicle weight tax that varies from \$0.0175 per pound to \$0.0225 per pound, depending on the net weight of the vehicle; vehicles over ten thousand pounds net weight are taxed at a flat rate of \$300.00. The unemployment insurance tax is a tax on wages paid by employing units with one or more employees with certain exemptions. The unemployment tax rate is determined according to a multi contribution schedule system. There is an additional employment and training fund assessment on taxable wages paid to an employee. The percentage rate for this additional tax is 0.01%. There is a rental motor vehicle surcharge tax (“RVST”) on a rented or leased motor vehicle of \$3.00 per day effective July 1, 2012. The tax is levied on the lessor. There is a rental motor vehicle customer facility charge of \$3.00 per day on motor vehicles rented from airport locations to pay for the development of airport rental car facilities effective July 1, 2012. The charge is levied on the lessor. There is a car-sharing vehicle surcharge of 25 cents per half hour (up to a maximum of \$3 per day) on motor vehicles rented by a car-sharing organization, effective January 1, 2015. There is also a tour vehicle surcharge tax for each tour vehicle in the over 25 passenger seat category and for each tour vehicle in the 8 to 25 passenger seat category. The tax is levied on the tour vehicle operator. Act 215, SLH, effective January 1, 2019, imposed an additional \$2 per day RVST on all rentals to lessees without a valid Hawaii driver’s license. Act 274, SLH 2019, effective July 1, 2019, repealed the \$2 per day RVST on lessees without a Hawaii driver’s license and increased the RVST from \$3 to \$5 per day, or a portion of a day, for all lessees. Act 274, SLH 2019 additionally repealed the special allocation of the surcharge originally deposited into a special fund for the county where the rental took place. As amended, the full \$5 per day is deposited into the Highway Fund. Act 237, SLH 2021, increased the RVST rate by \$0.50 per rental vehicle day on January 1, 2022, and increasing by an additional \$0.50 on January 1 for each subsequent year through 2027.

The tobacco tax currently assesses \$0.16 for each cigarette or little cigar, 70% of the wholesale price of tobacco products, and 50% of the wholesale price of each large cigar. Act 62, SLH 2023, effective on January 1, 2024, imposes an excise tax of 70% of the wholesale price of each electronic smoking device or e-liquid. The environmental response, energy, and food security tax is currently set at \$1.05 per barrel of petroleum product beginning July 1, 2010. Act 185, SLH 2015, also imposed the environmental response, energy, and food security tax on fossil fuel. The tax is \$0.19 on each 1,000,000 BTUs of fossil fuel, effective July 1, 2015. The conveyance tax is imposed on the amount paid in the sale, lease, sublease, assignment, transfer, or conveyance of realty or any interest therein. The tax rate ranges from \$0.10 per \$100 to \$1.25 per \$100, depending on the value of the property, the type of improvements on the property and whether the purchaser is eligible for a homeowner’s exemption for the property.

Federal Grants

In July 2013, the Office of Federal Award Management (“OFAM”) was established in the Department of Budget and Finance. The purpose of OFAM is to: (a) plan, organize, direct, coordinate and conduct federal awards activities for Executive Departments and Agencies to advance the management, administration, and oversight of federal grants. The objective of these activities is to maximize the program and fiscal performance of federal awards, ensure compliance with state and federal rules and regulations and reduce the opportunity for waste, fraud and abuse; (b) establish and implement policies, procedures, and controls following review as necessary with the Director of Finance, Comptroller, and Governor to advance the financial management, administration and oversight of federal grants that are awarded to state

executive departments and agencies; and (c) provide technical management services, assistance, and recommendations to the Governor, Director of Finance, Comptroller, and to the Directors and Heads of Executive Departments and Agencies, to maximize use of federal fund resources in order to achieve the State’s statutory requirements, goals, and objectives efficiently, economically, and effectively.

State departments, agencies, and institutions annually receive both competitive and formula driven federal grants. Federal grants are not a source of payment for the Bonds. Over the past five years, approximately 62.2% of the federal grants were awarded to human resources programs in public health, vocational rehabilitation, income maintenance, services to the blind, and other social or health services. Approximately 13.2% of such federal grants were used to support programs in the public schools. Transportation and highway safety activities received about 8.5% of all federal grants, primarily for interstate highway construction. Employment programs, including unemployment compensation benefit payments, accounted for about 1.2% of such federal receipts. Other programs accounted for the balance of such receipts. In past years, federal funds generally accounted for approximately 15% to 21% of the total State budget for each year. With the receipt of federal stimulus funds in fiscal years 2010 to 2013, the portion of the State budget made up by federal funds increased to 23% in fiscal year 2010 and 20% in fiscal year 2011 and was approximately 17% to 21% of the State budget through fiscal year 2018 (fiscal year 2017 was the last year of federal stimulus fund appropriations from the American Recovery and Reinvestment Act of 2009 (“ARRA”). For fiscal year 2020 and 2021, federal funds accounted for 20% and 19% of the total State budget, respectively. For fiscal year 2022, federal funds accounted for 26% of the total State budget due to the receipt of Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and ARPA funds, as further described below. For fiscal years 2023, 2024 and 2025, federal funds accounted for 23%, 22% and 20% of the total State budget, respectively.

In fiscal year 2026, reductions in federal funding, particularly with respect to social programs such as Medicaid and SNAP, have reduced total federal funding to the State by an estimated \$80 million from the amount budgeted by the State. See “CERTAIN INVESTMENT CONSIDERATIONS—Federal Funding Risks” in this Appendix A. The State is unable to predict whether federal grant funding received by the State’s departments, agencies, and institutions in the current or any future fiscal year will be similar to historical levels.

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The following Table A-5 sets forth the State’s federal grant funding for fiscal years 2016 through 2025.

**TABLE A-5
Federal Grant Funding**

Fiscal Year Ended June 30	Grant Amount (in millions)	% of State Budget
2016	\$2,988.8	23.24%
2017	2,802.8	20.45
2018	3,022.3	21.42
2019	2,886.6	19.99
2020	3,817.7*	24.42
2021	5,567.0*	35.47
2022	4,348.4*	27.15
2023	3,981.8**	23.06
2024	4,219.3**	22.18
2025	3,884.2**	20.30

* Includes a portion of COVID-19 awards in fiscal years 2020, 2021 and 2022.

** Does not include federal funds received by the University of Hawaii.

Source: State of Hawaii—DAGS FAMIS report MBP455, Comparison of Receipts by Department (includes federal grants deposited to the General Fund and Special Funds)

Budget System; Legislative Procedure

Pursuant to Act 185, the Executive Budget Act of 1970, the Planning, Programming and Budgeting System of the State was adopted. The purpose of this act was to integrate the planning, programming and budgeting processes to improve decisions on the allocation of resources. The Act established a comprehensive system for State programs and their related costs over a rolling timeframe of six years. The operating and capital improvement requirements are evaluated together to ensure compatibility and mutual support. Systematic evaluations and analyses are conducted to ascertain the attainment of program objectives and alternative means or methods of improving current State services, including quarterly allotment periods to monitor and control spending.

The Legislature convenes annually in regular session on the third Wednesday in January. Regular sessions are limited to a period of 60 days, and special sessions are limited to a period of 30 days. Any session may be extended by no more than 15 days. At least 30 days before the Legislature convenes in regular session in an odd numbered year, the Governor submits to the Legislature the Governor’s proposed State budget of the executive branch for the ensuing fiscal biennium. The budgets of the judicial branch, the legislative branch, and the Office of Hawaiian Affairs are submitted by their respective leaders to the Legislature for its consideration. In such regular session, no appropriation bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, shall be passed on final reading until the bill authorizing the operating expenditures for the executive branch for the ensuing fiscal biennium, known as the general appropriations bill, has been transmitted to the Governor.

In each regular session in an even numbered year, the Governor may submit to the Legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, known as the supplemental appropriations bill. In such session to which the Governor submits to the Legislature a supplemental appropriations bill, no other appropriations bill, except bills recommended by the Governor

for immediate passage, or to cover the expenses of the Legislature, shall be passed on final reading until the supplemental appropriations bill has been transmitted to the Governor.

To become law, a bill must pass three readings in each house on separate days. Each bill passed by the Legislature shall be certified by the presiding officers and clerks of both houses and thereupon be presented to the Governor. If the Governor approves and signs the bill, it becomes law. If the Governor does not approve a bill, the Governor may return it, with the Governor's objections, to the Legislature. Except for items appropriated to be expended by the judicial and legislative branches, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the same; but the Governor shall veto other bills only as a whole.

The Governor has 10 days to consider bills presented to the Governor ten or more days before the adjournment of the Legislature *sine die*, and if any such bill is neither signed nor returned by the Governor within that time, it becomes law in like manner as if the Governor had signed it.

The Governor has 45 days, after the adjournment of the Legislature *sine die*, to consider bills presented to the Governor less than ten days before such adjournment, or presented after adjournment, and any such bill becomes law on the forty-fifth day unless the Governor by proclamation has given 10 days' notice to the Legislature that the Governor plans to return such bill with the Governor's objections on that day. The Legislature may convene on or before the forty-fifth day in special session, without call, for the sole purpose of acting upon any such bill returned by the Governor. In case the Legislature fails to so convene, such bill shall not become law. Any such bill may be amended to meet the Governor's objections and, if so amended and passed, only one reading being required in each house for such passage, it must be presented again to the Governor, but becomes law only if the Governor signs it within ten days after presentation.

On December 1, 2022, the Governor issued an updated State Reserve Policy, Administrative Directive No. 22-01. The policy, which was based on a third-party reserve study commissioned by the State, which evaluated reserves in the context of various factors, provides that the State shall endeavor, for each year of a six-year planning period as described above, to retain an unassigned General Fund carryover balance equal to 5.0% of the preceding year's General Fund revenues and an EBRF balance equal to 10.0% of the preceding year's General Fund revenues. In addition, the updated policy established an overall target balance of either 25% of General Fund revenue or, if the EBRF fund balance objective is met, 20% of General Fund revenue. The overall target balance includes the unassigned General Fund carryover balance and EBRF balance. Such amounts are intended to help ensure that the State maintains appropriate long-term reserve levels, liquidity, and financial flexibility to mitigate the consequences of future emergencies and recessions. For fiscal year 2025, the State's unassigned General Fund carryover balance exceeds the 5.0% target and the EBRF balance exceeds the 10.0% target. Although the State is committed to maintaining its reserves, it is unable to predict whether the reserve targets will be met in future fiscal years.

Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund

Emergency and Budget Reserve Fund. HRS Chapter 328L, relating to the Hawaii Tobacco Settlement Special Fund, which established a special fund for moneys received from the settlement between the State of Hawaii and various tobacco companies, also established the Emergency and Budget Reserve Fund ("EBRF"), a special fund for emergency and "rainy day" purposes. Deposits to the EBRF include appropriations made by the Legislature and a portion of the tobacco settlement moneys. In addition, Act 138, SLH 2010 provided that whenever State General Fund revenues for each of two successive fiscal years exceeds revenues for each of the preceding fiscal years by 5%, the Director of Finance is required to deposit 5% of the State General Fund balance at the end of the fiscal year into the EBRF; however, no such transfer shall be made whenever the balance of EBRF is equal to or more than 10% of General Fund revenues for

the preceding fiscal year. The State Constitution (Article VII, Section 6) also requires that the General Fund balance at the close of each of two successive fiscal years must exceed 5% of General Fund revenues for each of the two fiscal years before a deposit into an emergency fund is required. Pursuant to Act 138, SLH 2010, all interest earned from moneys in the EBRF is credited to the EBRF; previously, the interest had been credited to the General Fund. Act 207, SLH 2017, prohibits the Legislature from making appropriations from the EBRF: (1) that are more than 50% of the total EBRF balance; (2) that exceeds 10% of total discretionary funds (e.g., funds authorized for debt service payments, pension and retirement benefit costs, Medicaid services costs, etc.) appropriated by the Legislature; and (3) if General Fund Tax Revenues for the current fiscal year exceed the revenue collections of the immediately preceding fiscal year. Appropriations from the EBRF require a two thirds majority vote of each house of the Legislature.

For fiscal years 2020 and 2021, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2022 Legislature was required to 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 OPEB liabilities. Pursuant to Article VII, Section 6 of the Hawaii State Constitution, the Legislature passed Act 115, SLH 2022, to provide for a \$100 or \$300 tax refund depending on filing status and income in 2022. Act 115 also provides for a deposit of \$500 million in the EBRF and a \$300 million deposit into the Pension Accumulation Fund (this deposit was to have been made in fiscal year 2024 but the funds were lapsed due to fiscal concerns) under section 88-114, HRS. In fiscal years 2021 and 2022, General Fund revenues also exceeded the respective previous years' (fiscal years 2020 and 2021) General Fund revenues by more than 5%, and the EBRF balance for fiscal year 2022 was less than 10% of fiscal year 2021 General Fund revenues. Therefore, the Director of Finance transferred 5% of the fiscal year 2022 General Fund balance, or approximately \$130 million, to the EBRF pursuant to Section 328L-3, HRS, during the second quarter of fiscal year 2023.

During the 2023 regular session, the Legislature appropriated \$500 million in General Funds (as part of the Department of Budget and Finance's fiscal year 2024 operating budget) for deposit to the EBRF. These funds were transferred to the EBRF during the second quarter of fiscal year 2024.

For fiscal years 2022 and 2023, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2024 Legislature passed HB 40 that included deposits of \$300 million into EBRF and \$135 million into the Pension Accumulation Fund. However, citing the Maui wildfire recovery efforts; other State priorities; the EBRF's balance of more than \$1.5 billion, its highest yet; and because of the State's continued commitment to making regular payments on unfunded liabilities including its pension obligations, the Governor reduced the deposits to \$1 to EBRF and \$1 to the Pension Accumulation Fund. As amended, HB 40 became Act 229, SLH 2024 on July 9, 2024.

For fiscal years 2023 and 2024, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2025 Legislature passed HB 795 (Act 267, SLH 2025) that included a deposit of \$1 million into EBRF. These funds will be transferred to the EBRF during the third quarter of fiscal year 2026.

For fiscal years 2024 and 2025, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2026 Legislature will be required to 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 OPEB liabilities. In fiscal years 2023 and 2024, General Fund revenues did not exceed the respective previous years' (fiscal years 2022 and 2023) General Fund revenues by more than 5%. See "—General Fund" above.

The following Table A-6 provides EBRF balances as of the end of each fiscal year from 2016 through 2025. The amounts reflected in fiscal year 2020 and 2021 do not include any of the COVID Relief Fund moneys that the Legislature transferred to the EBRF as a temporary depository pursuant to Act 4 and Act 9, SLH 2020. See “—General Fund” in this Appendix A.

TABLE A-6
Emergency and Budget Reserve Fund Balances
(Fiscal Years Ended June 30, 2016-2025)

<u>Fiscal Year</u>	<u>\$ (Millions)</u>
2016	100.9 ¹
2017	311.3 ²
2018	375.7 ³
2019	378.2 ⁴
2020	58.9 ⁵
2021	319.5 ⁶
2022	325.8 ⁷
2023	973.7 ⁸
2024	1,516.2 ⁹
2025	1,568.2 ¹⁰

¹ In fiscal year 2016, the fund balance increased because \$1 million of general funds was appropriated to the EBRF by Act 64, SLH 2016, and \$6.9 million from tobacco settlement moneys was deposited into the EBRF.

² In fiscal year 2017, the fund balance increased because \$150 million of general funds was appropriated to the EBRF by Act 104, SLH 2016; \$51.4 million was deposited into the EBRF pursuant to Section 328L-3, HRS and Article VII, Section 6, of the Hawaii State Constitution; and \$6.9 million was deposited into EBRF from tobacco settlement moneys.

³ In fiscal year 2018, the fund balance increased because \$58.7 million from the tobacco arbitration agreement was deposited into the EBRF pursuant to Act 12, SLH 2018; and \$3.6 million was deposited into EBRF from tobacco settlement moneys.

⁴ In fiscal year 2019, the fund balance increased because \$2.6 million in investment income was deposited into EBRF. Due to an inadvertent oversight, \$4.9 million in tobacco settlement moneys that were supposed to be deposited into the EBRF in fiscal year 2019 was instead deposited in fiscal year 2020.

⁵ In fiscal year 2020, the fund balance was reduced by a \$345.0 million transfer to the General Fund to offset revenue losses from the effects of the COVID-19 pandemic and by increases of \$13.9 million in investment income, \$5.0 million pursuant to Act 44, SLH 2019, and \$6.7 million from tobacco settlement moneys deposited into the EBRF. The fiscal year 2020 EBRF balance was adjusted to include certain transactions that were authorized for fiscal year 2020 but processed in fiscal year 2021 due to a combination of timing issues with enactment of various laws and accounting system limitations.

⁶ In fiscal year 2021, the fund balance increased because \$1.3 million in investment income, \$250.0 million pursuant to Act 6, SpSLH 2021; and \$8.3 million from tobacco settlement moneys were deposited into the EBRF.

⁷ In fiscal year 2022, the fund balance increased because \$0.9 million in investment income and \$5.4 million from tobacco settlement moneys were deposited into the EBRF.

⁸ In fiscal year 2023, the fund balance increased due to \$9.4 million in investment income, and deposits into the EBRF of \$500.0 million pursuant to Act 119, SLH 2022, \$130.0 million pursuant to Section 6 of Article VII and Section 328L-3, HRS, and \$5.7 million from tobacco settlement moneys. Does not reflect \$500 million deposited into the EBRF in October 2023 as approved by the State Legislature, bringing the total balance to approximately \$1.5 billion.

⁹ In fiscal year 2024, the fund balance increased due to \$37.4 million in investment income; a deposit of \$500 million pursuant to Act 164, SLH 2023; and \$5.1 million from tobacco settlement moneys.

¹⁰ In fiscal year 2025, the fund balance increased due to \$47.3 million in investment income and \$4.7 million from tobacco settlement moneys.

Source: DAGS

Tobacco Settlement. On November 23, 1998, leading United States tobacco manufacturers entered into the Tobacco Master Settlement Agreement (hereinafter “Master Settlement Agreement” or “MSA”) with 46 states, including the State. In consideration for a release of past, present, and certain future claims against them, the Master Settlement Agreement obligates these participating manufacturers (“PMs”) to pay substantial sums to the settling states (tied in part to the volume of tobacco product sales nationally). The annual PMs’ payments to the 46 states have ranged from \$5 billion to \$7 billion in recent years. These payments are to be made in perpetuity.

The annual MSA disbursements are generally received by the states in April. Due to various adjustments built into the MSA, including adjustments based on inflation, cigarette shipment, volume, the non-participating manufacturer (“NPM”) adjustment and other factors, the disbursements have generally decreased over time. Through June 30, 2025, Hawaii has received approximately \$1.17 billion in MSA payments.

The annual distribution portions of the tobacco settlement fund have been amended over the years. Act 59, SLH 2024, increased the portion to the Tobacco Enforcement Special Fund (TESF) beginning in fiscal year 2025, from \$350,000 to \$750,000. In addition, all unencumbered and unexpended moneys more than \$750,000 remaining on balance in the TESF will revert to the general fund. Pursuant to Act 118, SLH 2015, since fiscal year 2016, after the first \$750,000 was deposited in the TESF, the remaining tobacco settlement money distribution portions are as follows: 15% to the Emergency and Budget Reserve Fund, 12.5% to the Hawaii tobacco prevention and control trust fund, 26% to the University of Hawaii, and 46.5% to the General Fund.

The following Table A-7 shows annual proceeds from the tobacco settlement for fiscal years 2016 through 2025.

TABLE A-7
Tobacco Settlement Proceeds
(Fiscal Years Ended June 30, 2016-2025)

Fiscal Year	\$ (Millions)
2016	49.3
2017	48.7
2018	84.7
2019	34.8
2020	35.3
2021	37.5
2022	38.4
2023	40.9
2024	36.4
2025	33.8

Source: Department of Health

The Attorney General of each settling state under the Master Settlement Agreement is responsible for enforcing its provisions. The Master Settlement Agreement requires the State to diligently enforce the requirements of the “model statute,” which was enacted in 1999 as the Tobacco Liability Act. It is important to note that the diligent enforcement obligation is ongoing and continuous and is subject to challenge by the PMs on a year-to-year basis.

Failure to diligently enforce the Tobacco Liability Act as required by the MSA may result in a state losing a significant portion of its annual MSA payments. “Diligent enforcement” in the context of the MSA enforcement was not clearly defined and subsequently became the subject of a lengthy arbitration for the sales year 2003, for which arbitration commenced in 2010 and concluded in 2013. For the sales year 2003, Hawaii’s diligent enforcement was not contested and as a result, Hawaii was found to have diligently enforced the requirements of the model statute of the Tobacco Liability Act and therefore received its \$6.9 million of the NPM Adjustment funds for 2003.

In 2017, the PMs affirmatively challenged Hawaii’s diligent enforcement for the sales year 2004. In 2018, the State of Hawaii, along with eight other arbitrating states, collectively known as the “Tranche E” states, joined the NPM Adjustment Settlement Agreement (“NPMASA”) with the PMs, which resolved the diligent enforcement arbitration issues for the years 2004 through and including 2017. As a result, Hawaii received approximately \$58 million for the settlement of those arbitration years, in addition to its annual 2018 distribution. Joining the NPMASA spared the State the cost and uncertainty of ongoing and protracted arbitrations. It was estimated that had the matter gone to arbitration it could have cost the State approximately \$1.5 million in litigation costs just for the 2004 arbitration. Arbitrations covering the years 2005 through 2017 would have been separate and more costly. However, after joining the NPMASA, the State still faced liability for future years of arbitration from 2018 and into the future.

In March 2020, a condition of the NPMASA was met which automatically settled the years 2018-2019 of the NPM Adjustment arbitration for the State and the other Tranche E states, thus protecting the State from the risk of arbitration for diligent enforcement in those years.

In July 2020, the State entered into the 2018 through 2022 NPM Adjustment Settlement Agreement (effectively an extension of the NPMASA) with the PMs, which gave the State additional benefits and protections for potential arbitration in the future. If the State did not settle sales years 2018 through 2022, it faced an estimated maximum exposure that ranged from approximately \$17 million to approximately \$21 million per year in lost MSA payments—comprising over half of the payments that the State could otherwise expect to receive in each year. The State and the other Tranche E states also opted to treat sales years 2020 through 2022 as transition years. Under this option, the State received 75% of the disputed payment account monies that would otherwise be subject to arbitration while being protected from the risk of arbitration through 2022. In addition, in future unsettled years, the State’s risk would be limited to approximately half of what it would be if the State had not joined the NPMASA.

In September 2021, the arbitration panels issued orders for the 2004 arbitration, finding that six states (Idaho, Illinois, Iowa, Maryland, Ohio, and Wisconsin) prevailed as to their diligent enforcement. Two states, Missouri and Washington, were found by the arbitration panel to be non-diligent. In October 2022, a separate arbitration panel also handling the 2004 arbitration found New Mexico to be non-diligent. In August 2023, a New Mexico state court vacated the arbitration panel’s decision. New Mexico’s 2004 diligent enforcement hearing has yet to be scheduled as of December 2025. The fact that at least two states were found non-diligent means that these states faced the potential loss of tens of millions of dollars in expected annual MSA payments. In 2023, the Independent Auditor assessed the arbitration losses against Missouri, New Mexico and Washington, and those three states received annual MSA distributions that were reduced by tens of millions of dollars combined. The full scope of their losses is still being litigated in 2025.

Diligent enforcement hearings for the NPM adjustment arbitration covering sales years 2005 through 2007 for the remaining arbitrating states commenced in 2022. Despite states having been found by the panels to have diligently enforced in 2004, Illinois (2022), Iowa (2023), and Idaho (2024) signed onto the NPMASA. In August 2024, Massachusetts settled with the PMs for NPM Adjustments through 2011 and is no longer involved in the 2005 to 2007 arbitration. Of the remaining arbitrating states, the

panel has issued interim rewards finding Maryland, Ohio, and Wisconsin diligent. The panel issued findings that Washington was non-diligent for sales years 2005 through 2007. Washington subsequently settled with the PMs. Missouri's 2005 diligent enforcement hearing was held in June 2025, and the panel's decision is anticipated soon.

In December 2025, Hawaii and 33 other states, along with the District of Columbia and Puerto Rico, signed onto the 2025 through 2027 NPMASA, meaning that Hawaii is settled through sales year 2027 for arbitration relating to the NPM adjustment. Massachusetts, Montana, and New York have all entered into separate settlements with the PMs resolving the NPM Adjustment. Washington entered into a separate settlement, extending to 2031, with all of the PMs except Philip Morris USA. Washington subsequently entered into a separate settlement with Philip Morris USA, settling through sales year 2020 for arbitration relating to the NPM adjustment. That leaves only five states that are still arbitrating – Maryland, Missouri, New Mexico, Ohio, and Wisconsin.

In April 2025, Hawaii received its annual MSA payment in the amount of \$33,809,139.01, and payments are current, subject to some adjustments over time. If Hawaii does not settle future years and faces arbitration for sales year 2028 and beyond, it is unclear when those arbitrations would commence, but it would appear to be several years away at this point, since the sales years 2005 through 2007 arbitrations are ongoing.

Hawaii Hurricane Relief Fund. The Hawaii Hurricane Relief Fund (“HHRF”) was initially established pursuant to Act 339, SLH 1993 (codified as Chapter 431P, HRS) to provide hurricane insurance coverage for Hawaii property owners should the private market prove unreliable. It was created to address the problem of private insurers leaving the hurricane insurance market following Hurricane Iniki in September 1992.

The HHRF ceased operations in 2002 when private insurers returned fully to the market, but was reactivated by emergency proclamation of the Governor in 2024, as succeeded by the enactment of Act 296, SLH 2025, to address growing instability in the property insurance market caused by major climate events including the West Maui wildfires of 2023, rapidly rising premiums, and a decrease in available insurers, which combined to create significant barriers to obtaining coverage for many Condominium and Townhouse Associations of Apartment Owners (AOAOs). On June 24, 2025, the HHRF started accepting applications for hurricane commercial property insurance coverage for AOAOs.

Under 296, SLH 2025, the HHRF is not intended to be a replacement for the private insurance market, but rather as a backstop to address AOAO properties for which hurricane policies had become unavailable or impractical due to cost. As of February 6, 2026, the HHRF has issued 82 hurricane insurance policies for AOAOs at a total insured value of \$2.2 billion. Since reactivation of the HHRF, average policy premiums in the private insurance market have moderated since highs seen in 2024. Additionally, 296, SLH 2025 enhanced the powers of the Hawaii Property Insurance Association that currently insures 2,260 households for over \$1 billion dollars.

The HHRF's operations are funded by policyholder premiums, assessments on licensed Hawaii property and casualty insurers, a special mortgage recording fee, and a surcharge on premiums on policies issued by licensed property and casualty insurers (as necessary). As a component of the HHRF funding, the Director of Finance is authorized to issue revenue bonds and reimbursable general obligation bonds to assist the HHRF in carrying out its plan of operation. However, no revenue or reimbursable general obligation bonds have been issued.

The HHRF’s reserves, which amounted to \$186.7 million upon deactivation in 2002, were kept in the HHRF to provide working capital upon reactivation. Pursuant to Chapter 431P-16, HRS, funds in the HHRF are held outside the State’s treasury and are invested pursuant to policies adopted by the board of directors of the HHRF.

Although not formally established as a budget reserve, the HHRF has in past years been used as a de facto budget reserve. Appropriations from the HHRF require a majority vote by the Legislature. From time to time the Legislature has appropriated moneys from the HHRF to be deposited into the General Fund for various governmental purposes and provided a statutory mechanism to repay the HHRF in future fiscal years. In connection with the reactivation of the HHRF, such policy was revised in 2025 to provide that the HHRF balance would no longer be treated as part of the State’s operating reserve. For fiscal year 2025, the HHRF ending balance was \$175.8 million.

Section 431P 16(i), HRS, provides that upon dissolution of the HHRF, net moneys in the HHRF, after payments to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks are completed, revert to the General Fund. Act 179, SLH 2002, designated that interest earned from the principal of moneys in the HHRF shall be deposited into the General Fund each year that the HHRF remains in existence.

The following Table A-8 provides HHRF balances as of the end of each fiscal year from 2016 through 2025:

TABLE A-8
Hawaii Hurricane Relief Fund Balances
(Fiscal Years Ended June 30, 2016-2025)

<u>Fiscal Year</u>	<u>\$ (Millions)</u>
2016	186.9
2017	182.2
2018	177.9
2019	183.8
2020	191.3
2021	187.2
2022	173.0
2023	169.0
2024	171.4
2025	175.8

Source: Department of Commerce and Consumer Affairs

Expenditure Control

Expenditure Ceiling. The State Constitution provides that, notwithstanding any other provision to the contrary, the Legislature shall establish a General Fund expenditure ceiling which shall limit the rate of growth of General Fund appropriations, excluding federal funds received by the General Fund, to the estimated rate of growth of the State’s economy as provided by law and that no appropriations in excess of such ceiling shall be authorized during any legislative session unless the Legislature shall, by a two-thirds vote of the members to which each house of the Legislature is entitled to vote, set forth the dollar amount and the rate by which the ceiling will be exceeded and the reasons therefor. Pursuant to such Constitutional provision, Part V of Chapter 37, HRS, provides, in general, that appropriations from the General Fund for each year of the biennium or each supplementary budget fiscal year shall not exceed the expenditure ceiling

for that fiscal year. The expenditure ceiling is determined by adjusting the immediate prior fiscal year expenditure ceiling by the applicable “state growth.” State growth means the estimated growth of the State’s economy and is established by averaging the annual percentage change in total State personal income for the three calendar years immediately preceding the fiscal year for which appropriations from the General Fund are to be made. The Governor is required to submit to the Legislature a plan of proposed aggregate appropriations for the State which includes the executive budget, proposed grants to private entities, any specific appropriation measures to be proposed by the executive branch and estimates of the aggregate proposed appropriations of the judicial and legislative branches of government. In any year in which this plan of proposed rate by which the expenditure ceiling would be exceeded and the reasons for proposing appropriations in excess of the General Fund appropriations exceeds the estimated expenditure ceiling, the Governor must declare the dollar amount, the ceiling amount. During the last thirty years, the expenditure ceiling was exceeded in fiscal years 1993, 2007, 2023, 2024 and 2025. The Legislature exceeded the expenditure ceiling in fiscal year 2023 by authorizing the \$500 million deposit to the EBRF and the \$300 million deposit to the Pension Accumulation Fund (which was lapsed in fiscal year 2024) pursuant to Act 115, SLH 2022, and in fiscal year 2024 by increasing the 2023-2025 Executive Biennium Budget by \$766 million (which includes a \$500 million deposit to the EBRF). The Legislature exceeded the ceiling in fiscal year 2025 by authorizing a \$300 million deposit to the EBRF (which was line-item reduced by the Governor to \$1) and a \$135 million deposit to the Pension Accumulation Fund (which was line-item reduced to \$1) pursuant to Act 40, SLH 2024; \$365.4 million for temporary hazard pay arbitration awards and settlements pursuant to Act 49, SLH 2024; and \$221.2 million for wildfire recovery and prevention pursuant to S.B. 3068, S.D. 1, H.D. 2, C.D. 2 (which was vetoed by the Governor).

The State Constitution provides that no public money shall be expended except as appropriated by law. It also requires that provision for the control of the rate of expenditures of appropriated State moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law and that General Fund expenditures for any fiscal year shall not exceed the State’s current General Fund revenues and unencumbered cash balances, except when the Governor publicly declares the public health, safety or welfare is threatened, as provided by law.

Operating Expenditures. Maximum limits for operating expenditures are established for each fiscal year by legislative appropriations. Pursuant to Part II, Chapter 37, HRS, moneys can be withheld by the Governor or the Director of Finance to ensure the solvency of each fund. Expenditure plans consisting of quarterly requirements of all State programs are prepared at the beginning of each fiscal year by the respective departments of the Executive Branch of State government. After the expenditure plans are evaluated, allotments are made to each department as prescribed by Chapter 37, HRS. The Director of Finance and the Governor may modify or withhold planned expenditures if such expenditures would be in excess of authorized levels of service or in the event that State receipts and surpluses would be insufficient to meet authorized expenditure levels. Unencumbered allotment balances at the end of each quarter shall revert to the related appropriation account, except for the Department of Education and the University of Hawaii. Requests to amend allotments must be approved by the Director of Finance. If federal funds allocable to a particular item are greater than had been estimated, general funds are reduced proportionately as allowable, except for the Department of Education. Although the State has a biennial budget, appropriations are made for individual fiscal years and may not be expended interchangeably, except for 5% of appropriations to the Department of Education, which by statutory authority may be retained up to one year into the next fiscal biennium. The Office of the Governor approves consultant contracts above \$200,000 as to justification and need. Department heads have been delegated authority to review and approve certain consultant contracts such as medical services. In order to realize savings from bulk acquisition, central purchasing is used for certain office and medical supplies, equipment, and motor vehicles. DAGS performs pre-audits on each financial transaction of \$100,000 or more (amount increased pursuant to Act 203, SLH2021) before any payment can be made, except for the University of Hawaii and the Department of Education, which have statutory authority to pre-audit their own payments. Financial

audits of individual programs and organizations are conducted on a periodic basis by the DAGS audits are done on a continuous basis by each department. Management audits are accomplished on an as needed basis by the Department of Budget and Finance. In addition, the State Auditor performs financial and management audits on a selective basis.

Capital Improvement Expenditures. Annual capital improvement implementation plans are also prepared to control and monitor allotments and expenditures. Prior to the initiation of a project, it is reviewed for compliance with legislative intent and other economic considerations, and as to its justification. The Governor must approve the release of funds before any action can be taken. Competitive bidding is enforced to ensure that the lowest possible costs are obtained. Change orders during construction must be substantiated and approved by the expending agency. The need for additional capital improvement funds for each project must be approved by the Governor and must be funded from available balances of other capital improvement project appropriations. An assessment of the quality of construction material being used is performed on a continuous basis. Individual guarantees and warranties are inventoried and monitored as to the adequacy of stipulated performances. Additional reviews and assessments are conducted to identify and resolve any environmental concerns and to preserve historical and archaeological sites, and coastal areas.

Interfund Borrowing. The State has the ability to inter-fund borrow between funds, subject to approval by the Director of Finance or Governor. While not required by statute, the State's practice is to repay such borrowings within the fiscal year.

EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM

Employee Relations

Article XIII of the State Constitution grants public employees the right to organize for the purpose of collective bargaining as provided by law. HRS Chapter 89 provides for 15 recognized bargaining units for all public employees throughout the State including State and county employees. Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. In the case of bargaining units for nonsupervisory blue collar positions, supervisory blue collar positions, nonsupervisory white collar positions, supervisory white collar positions, registered professional nurses, institutional health and correctional workers, professional and scientific employees, State law enforcement officers and State and county ocean safety and water safety officers, the Governor of the State has six votes, and the mayors of each of the counties, the Chief Justice of the State Judiciary and the Hawaii Health Systems Corporation Board each have one vote. In the case of bargaining units for police officers and fire fighters, the Governor has four votes and the mayors each have one vote. In the case of bargaining units for teachers and educational officers, the Governor has three votes, the State Board of Education has two votes and the State superintendent of education has one vote. In the case of bargaining units for University of Hawaii ("UH") faculty and UH administrative, professional and technical staff, the Governor has three votes, the UH Board of Regents has two votes and the UH president has one vote. Decisions by the employer representatives are made on the basis of simple majority, except when a bargaining unit includes county employees from more than one county. In such case, the simple majority includes at least one county.

By statute, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding, and, if mutually agreeable to the parties, final and binding arbitration. Although the statute characterizes arbitration as "final and binding," it also provides that all cost items are subject to appropriations by the appropriate legislative bodies. If final and binding arbitration is not agreed upon, either party may take other lawful action to end the dispute, which, in the case of blue collar workers, public school teachers and university professors, could include an employee strike. In the

case of the remaining eleven bargaining units, including fire fighters and police officers, a strike is prohibited by law, and negotiation impasses are subject to mandatory final and binding arbitration, subject to appropriation of cost items, as described above. Certain employees are not party to a formal labor contract, including elected and appointed officials and certain contractual hires.

The status of negotiations and awards for wages and health benefits for the period from July 1, 2021 to June 30, 2027 for bargaining units with State employees are as follows:

Unit 1 (Blue Collar Workers). The United Public Workers (“UPW”) ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across-the board increases of 3.50% effective July 1, 2025, 3.79% effective July 1, 2026, 4.00% effective July 1, 2027, and 4.00% effective July 1, 2028; increases in meal allowances beginning July 1, 2025; and increases in and new travel reimbursements beginning July 1, 2026. The agreement also provides for increases to employer contributions for Hawaii Employer Union Health Benefits Trust Fund (“EUTF”) plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 2 (Blue Collar Supervisors). The Hawaii Government Employees Association (“HGEA”) ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across the board increases of 3.50% effective July 1, 2025, 3.79% effective July 1, 2026, 4.00% effective July 1, 2027, and 4.00% effective July 1, 2028; increases in the working condition differential beginning July 1, 2025; and increases in and new travel reimbursements beginning July 1, 2026. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 3 (White Collar Workers). HGEA ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across the board increases of 3.50% effective July 1, 2025, 4.00% effective July 1, 2027, and 0.37% effective July 1, 2028; one step movement effective July 1, 2026 and July 1, 2028; and 4.00% one-time lump sum payments for employees on the maximum step of the salary schedule effective July 1, 2026 and July 1, 2028. The agreement also provides for increases in meal allowances, uniforms and equipment allowances, and working condition differential beginning July 1, 2025, and increases in and new travel reimbursements beginning July 1, 2026. Additionally, the agreement provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 4 (White Collar Supervisors). HGEA ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across the board increases of 3.50% effective July 1, 2025; 3.79% effective July 1, 2026; 4.00% effective July 1, 2027; and 4.00% effective July 1, 2028, and increases in and new travel reimbursements beginning July 1, 2026. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 5 (Teachers). The current contract expires on June 30, 2027. The Hawaii State Teachers Association (“HSTA”) and the employer reached a four-year agreement (from July 1, 2023 to June 30, 2027) that was ratified in April 2023. The agreement provided for across the board increases of 2.00% effective July 1, 2023; 3.00% effective July 1, 2024; and 3.50% effective July 1, 2026, and step movements effective July 1, 2023 and July 1, 2025. The first three steps of the salary schedule are being deleted and replaced with a single step. A \$3,000 lump sum payment is being provided for certain eligible teachers on July 1, 2023 and July 1, 2025. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2024 and 2025. An agreement in April 2025 on the EUTF reopener provides for increased employer contributions for EUTF for fiscal years 2026 and 2027.

Unit 6 (Educational Officers). HGEA ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across the board increases of 3.20% for only State and District Educational Officers effective July 1, 2025, 1.02% effective July 1, 2026, 2.61% effective July 1, 2027, and 2.62% effective July 1, 2028; two step movements effective July 1, 2026, one step movement effective January 1, 2028, and one step movement effective January 1, 2029; and a 2.80% lump sum payment for employees on the maximum step of the salary schedule effective July 1, 2026 and 1.40% lump sum payments for employees on the maximum step of the salary schedule effective January 1, 2028 and January 1, 2029. The salary schedules for Vice Principals and Principals are also being replaced by a singular new salary schedule effective July 1, 2025. The agreement also provides for increases in meal allowances beginning July 1, 2025, and increases in and new travel reimbursements beginning July 1, 2026. Additionally, the agreement provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 7 (Faculty of the University of Hawaii). University of Hawaii Professional Assembly (“UHPA”) ratified a new two-year agreement (from July 1, 2025 to June 30, 2027) in October 2024. The agreement provided for across the board increases of 3.50% effective July 1, 2025, and 3.79% effective July 1, 2026. An amended contract (covering four years, from July 1, 2025 to June 30, 2029) was ratified in March 2025 providing for across the board increases of 4.00% effective July 1, 2027, and 4.00% effective July 1, 2028, and increases in travel reimbursements beginning July 1, 2025. The amended contract also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 8 (University of Hawaii Administrative, Professional and Technical Staff). HGEA ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across-the-board increases of 3.50% effective July 1, 2025; 3.79% effective July 1, 2026; 4.00% effective July 1, 2027; and 4.00% effective July 1, 2028, and increases in travel reimbursements beginning July 1, 2026. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 9 (Registered Professional Nurses). HGEA ratified a new four year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for a \$1,500 lump sum payment for employees on the maximum step of the salary schedule effective July 1, 2025; across the board increases of 2.70% effective July 1, 2025, 3.29% effective July 1, 2026, 3.42% effective July 1, 2027; and 3.43% effective July 1, 2028; and continuation of the step movement plan beginning July 1, 2025. The agreement also provides for increases in and new travel reimbursements beginning July 1, 2026. Additionally, the agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 10 (Institutional Health and Correctional Workers). UPW ratified a new four year agreement (July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for across the board increases of 3.50% effective July 1, 2025, 3.79% effective July 1, 2026, 4.00% effective July 1, 2027, and 4.00% effective July 1, 2028; increases in meal allowances beginning July 1, 2025; and increases in and new travel reimbursements beginning July 1, 2026. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 11 (Firefighters). The contract expired June 30, 2025. An arbitration hearing was held December 8 through December 11, 2025. An arbitration award is expected prior to the end of the 2026 Legislative Session.

Unit 13 (Professional and Scientific Employees). HGEA ratified a new four-year agreement (from July 1, 2025 to June 30, 2029) in April 2025. The agreement provides for a \$2,000 lump sum payment for employees not eligible for step movements for the duration of the contract period effective July 1, 2025; across the board increases of 2.12% effective July 1, 2025, 2.95% effective July 1, 2026, 2.77% effective July 1, 2027, and 3.17% effective July 1, 2028; and continuation of the step movement plan beginning July 1, 2025. The agreement also provides for increases in and new travel reimbursements beginning July 1, 2026. Additionally, the agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2026 and 2027 and a reopener for the last two years of the contract.

Unit 14 (State Law Enforcement Officers). The contract expired June 30, 2025. HGEA filed for impasse and the Hawaii Labor Relations Board set the impasse date as February 1, 2025. The date for the arbitration hearing has not yet been determined.

COVID-19 Class Grievance. A settlement for class grievances relating to hazard pay during the COVID-19 pandemic was reached between the Employer and HGEA for bargaining units 2, 3, 4, 8, 9, 13, and 14 for Executive Branch departments (with the exception of the Department of Education (“DOE”), Hawaii Health Systems Corporation (“HHSC”), UH, and the Judiciary. Payments related to this settlement have been paid.

An arbitration award was issued for HGEA bargaining units 2, 3, 4, 9, and 13 for DOE. Payments related to this award have been paid.

Separate class grievances have been filed by UPW for bargaining units 1 and 10, DOE, HHSC, UH and other Executive Branch departments. Arbitration awards were issued for the class grievances with UH and the other Executive Branch departments and a settlement was reached between HHSC and UPW. Payments related to the arbitration awards and settlement were paid, except for payments related to the supplemental award issued for the class grievance with the other Executive Branch departments. The class grievance with DOE is still pending a settlement agreement. A prior UPW grievance with the Judiciary has been settled.

An agreement concerning hazard pay during the COVID-19 pandemic was reached between the public employers and Hawaii Firefighters Association (Unit 11) on November 8, 2024. Payments related to this settlement were paid. The State has Unit 11 employees only at the Department of Transportation’s airports, and these employees are paid by the Airports Special Fund.

Although appropriations were provided for some of these costs during the 2024 and 2025 Legislative Sessions, additional amounts will be required and the total cost impact of these class grievances is not known at this time. In addition to the direct costs of these payments, there is going to be a significant impact on pension costs for employees that retired during the grievance period and for several years thereafter.

Collective Bargaining Legislation. Two significant bills related to collective bargaining were passed during the 2024 legislature:

Act 143, SLH 2024, requires the Hawaii Labor Relations Board to adopt rules establishing criteria and procedures for the creation of new bargaining units and requires certain employees or any employer or exclusive representative proposing a new bargaining unit to submit an application to the Board. The measure allows certain employees or any employer or exclusive representative to petition the Board to determine the appropriateness of a new bargaining unit; requires the Board to consider certain criteria in determining the appropriateness of a new bargaining unit and requires the Board to, upon its approval of

the application, submit a report to the Legislature, including proposed legislation to create the new bargaining unit, accompanied by a decision and order issued by the Board.

Act 234, SLH 2024, which became effective July 1, 2024, and sunsets after five years by its terms, requires the employer to initiate negotiations on repricing of classes within a bargaining unit within thirty days of its receipt of the exclusive representative's written request to negotiate. The measure establishes that the employer's failure to initiate the negotiation within the required time frame and the parties' failure to reach an agreement within one hundred fifty days of the exclusive representative's written request to negotiate or by January 31 of a year in which the collective bargaining agreement is due to expire, whichever is earlier, constitutes an impasse. The measure allows repricing to be taken to arbitration under certain conditions.

The estimated potential cost impact of these class grievances is not known at this time.

State Employees' Healthcare and Other Insurance Plans

Act 88, SLH 2001, Relating to Public Employee Health Benefits (partially codified as HRS Chapter 87A), established the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund"). The Trust Fund provides healthcare and other insurance plans for public employees, retirees and their dependents. The employers participating in the Trust Fund include the State and each of the counties. Public employer contributions to the Trust Fund for the health and other benefit plans of public employees and their dependents are determined under HRS Chapter 89C, or by way of applicable public sector collective bargaining agreements. Except for reimbursement of medical insurance coverage under Medicare, public employer contributions to fund the healthcare and other insurance plans of retirees are not to exceed certain monthly contribution levels specified in HRS Chapter 87A.

Act 245, SLH 2005 (partially codified as HRS Chapter 87D), temporarily authorized employee organizations to establish voluntary employees beneficiary association ("VEBA") trusts to provide healthcare and other insurance plans to State and county employees in their bargaining units outside of the Trust Fund. Each VEBA trust was to provide healthcare and other insurance plans to the State and county employees who retired after establishment of the VEBA trust ("future retirees") and was to give State and county employees who were members of applicable bargaining units and who retired before establishment of the VEBA trust ("existing retirees") a one-time option to transfer from the Trust Fund to the VEBA trust. The State and county employers' monthly contributions to each VEBA trust for active employees and future retirees were to be established by collective bargaining. Monthly contributions to each VEBA trust for existing retirees were to be equal to the contributions paid on behalf of similarly situated retirees under the Trust Fund. The stated purpose of Act 245 was to allow the temporary establishment of a VEBA trust pilot program so as to enable a thorough analysis of the costs and benefits of VEBA trusts against the Trust Fund to determine what actual savings could be realized by the State through the VEBA trust mechanism. The Hawaii State Teachers Association ("HSTA") implemented a VEBA trust for its active employees on March 1, 2006 and for retirees on January 1, 2007. Act 245 was amended by Act 294, SLH 2007 to extend the repeal date to July 1, 2009 for any VEBA implemented in March 2006. Act 5, First Special Session 2008, amended Act 245, SLH 2005, to extend the sunset date to July 1, 2010. Act 106, SLH 2010, amended Act 245, SLH 2005, to provide a final extension of the sunset date to December 31, 2010, to allow for a smoother transition from the HSTA VEBA trust to the Trust Fund. In September 2010, two participants in the HSTA VEBA trust and the trustees of the HSTA VEBA trust ("plaintiffs") filed a purported class action lawsuit seeking, in part, to enjoin the transition from the HSTA VEBA trust to the Trust Fund. See *Gail Kono, et al. v. Neil Abercrombie, et al*, Civil No. 10 1 1966 09, First Circuit Court, State of Hawaii. On December 7, 2010, the First Circuit Court ("circuit court") denied the plaintiffs' motion for a temporary injunction to enjoin the transition of active employees and retirees from the HSTA VEBA trust to the Trust Fund. However, the circuit court ruled that the Trust Fund was required to provide the active employees

and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the same standard of healthcare and other insurance coverage that they had in their HSTA VEBA trust healthcare and other insurance plans. The circuit court also ruled that approximately \$3.96 million in surplus funds that the HSTA VEBA trust returned to the State's General Fund should be paid by the State to the Trust Fund and used to ensure that active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund can maintain their same standard of healthcare and other insurance coverage as ordered by the circuit court. Based on these rulings, the active employees and retirees in the HSTA VEBA trust were transitioned to the Trust Fund, effective January 1, 2011. A final judgment was entered on the circuit court's rulings and both the State and plaintiffs filed appeals. On April 24, 2013, the Intermediate Court of Appeals (the "ICA") issued a memorandum opinion vacating the final judgment and several related orders. The ICA said the circuit court lacked authority to render the final judgment in the absence of an appropriate pending motion from either party. When the final judgment was entered, the ICA said there was no pending dispositive motion on which the circuit court could terminate the litigation. The ICA remanded the case to the circuit court for further proceedings. The ICA left standing the order that requires the Trust Fund to provide active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the healthcare and other insurance coverage that they had in their former HSTA VEBA trust healthcare and other insurance plans and that required the State to pay the surplus funds returned by the HSTA VEBA trust to the Trust Fund. The State intends to continue to vigorously defend against Plaintiffs' claim in this lawsuit. The outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the years ended June 30, 2013 through 2025.

Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") has issued Statements No. 43 ("GASB 43"), Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans (i.e., "OPEBs"), and No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. GASB 43 was implemented by the Trust Fund for fiscal year ending June 30, 2007 and GASB 45 was implemented by the employers for fiscal year ending June 30, 2008 and for the County of Kauai for fiscal year ending June 30, 2009. GASB has also issued Statement No. 74 ("GASB 74"), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions that are effective for fiscal years beginning July 1, 2016 and 2017, respectively. GASB 74 replaces GASB 43 and GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans ("GASB 57"), and GASB 75 replaces GASB 45 and GASB 57. The Trust Fund implemented GASB 74 and the State implemented GASB 75 for fiscal years beginning July 1, 2016 and July 1, 2017, respectively.

In 2013, the State enacted measures to significantly reduce the State's unfunded actuarial accrued liability for unfunded Other Post Employment Benefit ("OPEB"). As described below, the State is taking measures to prefund OPEB liabilities.

On July 9, 2012, Act 304, SLH 2012 was signed into law and provided for the establishment of "a separate trust fund for the purpose of receiving employer contributions that will prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries." Effective June 30, 2013, the Board approved the Plan and Trust Agreement for Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits ("OPEB Trust") establishing an irrevocable trust whose assets are legally protected from creditors and can only be used for the benefit of participants' OPEB. The OPEB Trust is set up as an agent multiple-employer plan. Funds are pooled together but employer contributions; related investment income, investment expenses and gains/losses; and distributions are recorded separately by employer.

A funding policy mechanism was introduced in the July 1, 2021 valuation to manage contribution volatility for employers other than the Honolulu Authority for Rapid Transportation. The combination of the level percentage of payroll unfunded actuarial accrued liability (“UAAL”) amortization methodology (assumed to grow at 2.5% annually) and the entry-age normal actuarial cost method (which should grow about 3.5% to 4.25% annually) produce a combined Annual Required Contribution (“ARC”) that is expected to increase by approximately 3.00% per year. A “smoothing corridor” is expected to help stabilize the State’s ARC payments and reach full funding sooner, under current projections. The corridor will target this 3.00% and limit the dollar amount of the ARC so that it is within 2.00% of the prior year’s ARC increased by the 3.00%. Another way to describe the corridor is to say that it limits the dollar amount of the ARC to between 101% and 105% of the prior year’s ARC.

To illustrate, the State’s actuary, Gabriel, Roeder, Smith and Company, indicated that in fiscal year 2028, the ARC without the smoothing corridor is expected to be \$683.6 million, while the ARC with the smoothing corridor is expected to be \$855.4 million. With the smoothing corridor, ARC payments are projected to result in approximately \$1.61 billion more in payments from fiscal years 2025 through 2039, but approximately \$2.97 billion less from fiscal years 2040 through 2044 (and lower overall payments of \$1.36 billion).

It should also be noted that the corridor is adjusted downward when employers contribute more than the ARC. This adjustment makes it so that employers can still lower their future ARCs by contributing more than the minimum required.

In 2023, the State enacted measures to reduce the retiree healthcare benefit, Acts 040 and 041, SLH 2023, by eliminating the State and county reimbursement of spousal and income-related monthly adjustment amounts, respectively, of Medicare Part B premiums for retirees hired on or after July 1, 2023. These Acts are projected to reduce the State’s future ARC payments by \$1.5 billion over a 30-year period.

The State has received the Trust Fund’s July 1, 2025 Actuarial Valuation Report (the “Trust Fund Report”) and the GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions report (the “GASB 75 Report”) prepared for fiscal year ending June 30, 2025 of the Trust Fund’s OPEB liabilities. The Trust Fund and the GASB 75 Reports were prepared by Gabriel, Roeder, Smith & Company. The Trust Fund Report quantifies the Actuarial Accrued Liabilities (“AAL”) of the respective employers under GASB 75 and develops the ARC. The GASB 75 Report complements the Trust Fund Report and the calculation of the OPEB Trust liability for this report is not applicable for funding purposes of the OPEB Trust.

The Trust Fund Report provides, based on stated actuarial assumptions, the ARC using a discount rate of 7%. The Trust Fund Report states that the State’s UAAL as of July 1, 2025 is \$5.4 billion. The State’s corresponding ARC for the fiscal years ending June 30, 2027 and 2028 are projected to be \$846.9 million and \$855.4 million, respectively, of which it is estimated that 76.9% is an expense of the General Fund and 23.1% is to be paid from non-general funds of the State (based on fiscal year 2025). The Trust Fund Report estimates the “pay-as-you-go” funding amounts for fiscal years ending June 30, 2027 and 2028 are \$535.9 million and \$573.0 million, respectively.

In the past, the State funded its OPEB costs on a “pay-as-you-go” basis; however, the State began the process of pre-funding its OPEB costs (i.e., normal cost) and paying down the UAAL over closed 30-year periods with contributions in the amount of \$100 million for fiscal year ending June 30, 2014. The State has met or in some years exceeded its OPEB contribution requirements under Act 268, SLH 2013 (“Act 268”), as described in Table 9 below. The State’s share of the actuarial value of assets and funded ratio based on the July 1, 2025 actuarial valuation was \$5.973 billion and 52.6%, respectively. The market value of assets as of the July 1, 2025 valuation was approximately \$5.977 billion. In addition, EUTF held

liquid assets with a value of approximately \$460.8 million as of June 30, 2025 in its Short-term Liquidity/Operating Asset Pool; funds in such pool, while not included in the actuarial valuation, are available for, and restricted to, the payment of OPEB benefits for State retirees. Investment returns net of fees on OPEB assets during fiscal year 2024 was 8.2% and during fiscal year 2025 was 7.0%. The market value of the State’s OPEB assets as of June 30, 2025 amounted to \$9.06 billion (audited) (not including amounts available in the Short-term Liquidity/Operating Asset Pool). As required by Act 268, the State met its ARC requirement of \$830.2 million for fiscal year 2025. The State has contributed \$325 million more than required by Act 268 since 2015.

Aligned with industry-wide best practices, the State funding policy is anticipated to result in EUTF obligations projected to be fully funded by 2039. The policy includes use of a closed initial amortization period ending in 2024, with any new actuarial gains or losses funded over 20 years or less; an ARC smoothing corridor requiring contributions to be at least 101% and up to 105% of prior years amount and as a result contribution requirements for fiscal years 2023-28 exceeded the actuarially-determined amounts by \$170 million.

The following Table A-9 shows the State’s share of the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability and the funded ratio for the valuation dates set forth below.

TABLE A-9
Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)
July 1, 2011	--	\$13,566,836,000	\$13,566,836,000	0.0%
July 1, 2013 ¹	--	8,529,546,000	8,529,546,000	0.0
July 1, 2015	\$ 221,194,000	9,287,120,000	9,065,926,000	2.4
July 1, 2017	879,517,000	10,194,187,000	9,314,670,000	8.6
July 1, 2018 ²	1,290,918,000	10,704,565,000	9,413,647,000	12.1
July 1, 2019 ³	1,829,458,000	11,382,908,000	9,553,450,000	16.1
July 1, 2020 ⁴	2,371,060,000	11,272,718,000	8,901,658,000	21.0
July 1, 2021	3,477,138,000	11,602,201,000	8,125,063,000	30.0
July 1, 2022 ⁵	3,820,804,000	10,908,074,000	7,087,270,000	35.0
July 1, 2023	4,478,522,000	11,390,407,000	6,911,885,000	39.3
July 1, 2024	5,195,588,000	11,122,280,000	5,926,692,000	46.7
July 1, 2025	5,972,847,000	11,348,439,000	5,375,592,000	52.6

¹ As a result of the funding requirements of Act 268, the discount rate was changed from 4.00% to 7.00% in the July 1, 2013 valuation.

² Asset smoothing was first introduced in the July 1, 2018 valuation.

³ Minor updates to the demographic and healthcare assumptions were adopted in the July 1, 2019 valuation.

⁴ The healthcare trend assumption was updated in the July 1, 2020 valuation to reflect the repeal of the “Cadillac Tax”.

⁵ New demographic and healthcare assumptions were adopted in the July 1, 2022 valuation. The most significant change was to the healthcare trend assumption.

Source: State of Hawaii Retiree Health Care Plan Actuarial Valuation Report as of July 1, 2025 prepared by Gabriel, Roeder, Smith and Company

On July 17, 2020, the Governor issued a Tenth Proclamation Related to the COVID-19 Emergency, which suspended the provisions of Act 268 (HRS Chapter 87A-42(b)-(f)) that require employer contribution of the ARC for the fiscal year ending June 30, 2021. The 2021 Legislature subsequently enacted Act 229, SLH 2021, which extends such suspension for the fiscal years ending June 30, 2022 and 2023. As a result, for the fiscal years ending June 30, 2021, 2022 and 2023, the State and counties were only required to

contribute their share of the monthly “pay-as-you-go” health benefit premiums and claims expenses (“pay-as-you-go” premiums). The State, however, made its full ARC payment for the fiscal year ending June 30, 2021, and also made an additional OPEB prefunding payment of \$390 million on July 15, 2021. Such \$390 million payment is a contribution for the fiscal year ending June 30, 2021, but has a similar effect to funding \$390 million of the OPEB prefunding amount of the ARC for the fiscal year ending June 30, 2022 in advance. In addition to the \$390 million additional OPEB prefunding payment credited for fiscal year 2021, the State contributed \$112.1 million of the \$440.8 million OPEB prefunding amount of the fiscal year 2022 ARC. The \$112.1 million contribution plus the \$390 million additional payment in fiscal year 2021 has a similar effect to funding \$502.1 million, or \$61.3 million more than the fiscal year 2022 OPEB prefunding requirement. The State paid the full ARC amount (benefit payment and prefunding payment) for the fiscal year ending June 30, 2024.

TABLE A-10
State EUTF Contributions
Fiscal Years 2016 — 2027

Fiscal Year	ARC	Benefit Payment**	Act 268 Prefunding Requirement%*	Act 268 Prefunding Requirement \$	Total Prefunding Contribution**	Total Contributions**
2016	\$742,808,000	\$300,654,770	40%	\$163,615,000	\$249,827,434	\$ 550,482,204
2017	744,248,000	331,174,888	60	230,185,000	333,049,894	664,224,782
2018	770,297,000	345,083,003	80	297,063,000	337,129,000	682,212,003
2019	787,110,000	356,827,495	100	430,282,505	430,282,505	787,110,000
2020	814,659,000	381,426,549	100	433,232,451	433,232,451	814,659,000
2021	842,456,000	405,743,120	100	436,712,880	826,712,880***	1,232,456,000
2022	877,193,000	436,439,260	100	440,753,740	112,111,493***	548,550,753
2023	839,445,000	428,181,899	100	411,263,101	411,263,110***	839,445,000
2024	821,984,000	428,544,396	100	393,439,604	393,439,604	821,984,000
2025	830,204,000	442,242,844	100	387,961,156	387,961,156	830,204,000
2026	838,506,000	494,661,000	100	343,845,000	343,845,000	838,506,000
2027	846,891,000	535,947,000	100	310,944,000	310,944,000	846,891,000

* Percentage/amount of the ARC less estimated benefit payments required under Act 268 for fiscal years ending June 30, 2015, 2016, 2017 and 2018.

** Fiscal years 2016 through 2025, inclusive, are actual, and fiscal years 2026 and 2027 are projected based on the 2025 Trust Fund Report and included in the State’s General Fund financial plan. Effective fiscal year 2019, Act 268 requires 100% ARC payment.

*** Employer annual contributions in excess of the “pay-as-you-go” premiums for fiscal year 2021, 2022 and 2023 were suspended due to COVID-19 by emergency declaration of the Governor on July 17, 2020 and Act 229, SLH 2021, respectively. See the narrative preceding this Table A-10 for a further description of contributions made and expected to be made by the State in these fiscal years.

Source: State of Hawaii

Act 268 provides that if the State public employer contributions into the fund are less than the ARC commencing in fiscal year 2019, general excise tax revenues will be used to supplement State public employer contribution amounts.

Act 93, SLH 2017, requires the EUTF board of trustees to conduct an annual actuarial valuation of the Trust Fund. Previous practice was to have an actuarial valuation every two years. Act 93 also requires the board to update all assumptions specific to the Trust Fund used in the valuation at least once every three years.

State Employees’ Retirement System

This section contains certain information relating to the Employees’ Retirement System of the State of Hawaii (the “System” or “ERS”). The information contained in this section is primarily derived from information produced by the System, its independent accountant and its actuary. The State has not independently verified the information provided by the System, its independent accountant and its actuary, and makes no representations nor expresses any opinion as to the accuracy of such information. The annual comprehensive financial report of the System and most recent valuation report of the System may be

obtained by contacting the System. The annual comprehensive financial reports of the System are also available on the State’s website at <https://portal.ehawaii.gov/>, and other information about the System are available on the System’s website at <https://ers.ehawaii.gov/>. Such documents and other information available at such website or linked therefrom are expressly not incorporated herein by this reference.

Notwithstanding the suspension of prefunding balance payments for OPEB as described under “Other Post-Employment Benefits” above, the State has continued regular funding of the ERS and has current appropriations for regular funding of the ERS for fiscal years 2025 and 2026. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B for further information.

The System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the System’s Board of Trustees, the System’s benefit structure or the actuarial method used by the System) will reflect the actual results experienced by the System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System’s actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the System), one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See “—General Information” and “Funded Status—Actuarial Valuation” below for more information on the actuarial assumptions used by the System.

Much of the disclosure set forth in this “—State Employees’ Retirement System” section is based on the Report to the Board of Trustees on the 100th Annual Actuarial Valuation for the Year Ended June 30, 2025, issued on December 29, 2025 (the “2025 Valuation Report”), which is the most recent valuation report of the System.

The information presented in the 2025 Valuation Report was based on actuarial assumptions adopted by the System’s Board of Trustees in August 2025 effective with the June 30, 2025 valuation. This is the thirteenth valuation with new members under the new tier of benefits and member contribution rates. However, the liability for this group of employees represents just a small fraction of the total liabilities of the system. In addition to the new tier of benefits, employer contribution rates were recently increased. Fiscal year 2021 represented the final year of a four-year phase-in of increases in the employer contribution rates. Included in the 2025 Valuation Report are projections showing the long-term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012. In June 2012, GASB voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments. Statement No. 67, Financial Reporting for Pension Plans (“GASB 67”), was effective for reporting periods beginning after June 15, 2013. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions (“GASB 68”), was effective for fiscal years beginning after June 15, 2014. GASB 68 requires governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate is required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans are required to report their proportionate shares of the collective net pension liability and expense for such plans.

The State implemented GASB 68 beginning with the fiscal year ending June 30, 2015. Like most public employers, the State reflected pension liabilities directly on its Statement of Net Position, which resulted in a reduction in the State's reported net position. As allowed under GASB 68 the State is reporting its GASB 68 disclosure items one year in arrears (information measured as of June 30, 2024 is reported as of June 30, 2025). The amount of the ERS net pension liability (measured as of June 30, 2024, the most recent information available) allocated to the State (not including the University of Hawaii) is approximately \$8.2 billion, or approximately 58.0% of the \$14.15 billion net pension liability for all participating employers.

The ERS is required by law to conduct annual stress tests. In the most recent stress test conducted in 2025, the State's actuary, Gabriel, Roeder, Smith & Company, determined that the "System is sustainable in a protracted low return environment but would require maintaining the current contribution patterns for a much longer period of time than is currently expected."

During the 2024 State legislative session, Act 192, SLH 2024 was enacted which shortened the maximum open amortization period for the ERS unfunded liability, reducing it from 30 to 25 years for the June 30, 2024 actuarial valuation and then by additional one-year increments until it reaches 20 years for the June 30, 2029 actuarial valuation

General Information. The System began operation on January 1, 1926. The System is a cost sharing, multiple employer defined benefit pension plan. The actuarial information presented herein is provided for all employers of the System in total. The System's plan year runs from July 1 of each year through the following June 30. The System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost sharing plan, the System does not allocate its liabilities among participating employers. However, based on the new GASB 68 financial reporting requirements for employers, the State's share of the System, based on employer contributions, is approximately 70% (including the University of Hawaii), with the remaining 30% share as the responsibility of the four counties. Although the State's employer contributions are recorded as expenses of the General Fund, approximately 22% are reimbursed from various non-general funds of the State.

The statutory provisions of HRS Chapter 88 govern the operation of the System. Responsibility for the general administration of the System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, *ex officio*; four members of the System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the System consisted of only a contributory plan (i.e., both the employer and the employee contribute to funding retirement benefits). Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the System who are also covered under Social Security. The noncontributory plan (under which employees do not contribute to funding retirement benefits) provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC is the

average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971 or the three highest paid years of service, excluding the vacation payment (whichever is higher). The AFC for members hired after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new defined benefit contributory plan (the “Hybrid Plan”) was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with five years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 are required to join the Hybrid Plan.

In December 2010, the System’s actuary completed an Actuarial Experience Study for the five-year period ended June 30, 2010 (the “2010 Experience Study”). In fiscal year 2011, based in part on the results of the 2010 Experience Study, the Legislature acted to limit the growth of the State’s pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, enacted certain changes to the funding of the System and the benefit structure for new members in all plans. Funding changes included increasing the statutorily required employer contribution rates (see “—Funded Status” below). Benefit changes for new members included increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012.

In fiscal year 2011, the Legislature acted to improve and protect the System’s funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the System’s assets is 100% of the System’s actuarial accrued liability.

Act 163, SLH 2011, also reduced the System’s investment yield rate assumption for fiscal year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the System, including the assumed investment yield rate for subsequent fiscal years. Effective June 30, 2012 and July 1, 2012, the Legislature enacted Acts 152 and 153, SLH 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

A subsequent five-year actuarial experience study was completed on July 5, 2016, for the five-year period, which ended on June 30, 2015 (the “2015 Experience Study”). To better reflect the recent actual experience of the System, in December 2016 the Board of Trustees adopted the assumption recommendations set forth in the 2015 Experience Study. The Board also adjusted the investment yield rate assumption to 7.00%

Subsequent experience studies have been performed every three years (2018, 2021 and 2024). The System’s actuary completed the most recent Actuarial Experience Study for the three-year period ended June 30, 2024 (the “2024 Experience Study” dated August 5, 2025). Based on the current capital market assumptions from ERS’s investment consultant and the System’s target allocation, the actuaries verified that the 7.00% investment return continues to be appropriate for the System and there were no recommended changes to the investment return assumption. This recommendation was adopted by the Board at their September 2025 meeting.

The demographic data for each annual June 30 valuation is collected as of the March 31st preceding the valuation date. As of March 31, 2025, the contributory plan covered 5,222 active employees (which includes police and fire) or 7.8% of all active members of the System, the noncontributory plan covered 7,392 active employees or 11.1%, and the Hybrid Plan covered 54,212 active members or 81.1%. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of March 31, 2025, the System’s membership comprised approximately 66,826 active employees, 8,692 inactive vested members and 56,673 pensioners and beneficiaries. The following Table A-11 shows the number of active members, inactive vested members and retirees and beneficiaries of the System as of March 31, 2023, 2024 and 2025 (the March 31, 2025 information is the most recent demographic data available and was used in the 2025 Valuation Report):

**TABLE A-11
System’s Membership**

Category	March 31, 2025	March 31, 2024	March 31, 2023
Active	66,826	65,337	64,243
Inactive, vested	8,692	8,847	8,997
Retirees and beneficiaries	56,673	55,820	54,973
Total	132,191	130,004	128,213

Funded Status

Net Pension Liability. Since the adoption of GASB 67 in fiscal year 2014 by ERS and GASB 68 in fiscal year 2015 by all of its participating employers, including the State, the System’s actuary has prepared separate annual actuarial valuation reports, one of which provides information for funding purposes and one of which provides the disclosures required by GASB 67 and 68 that are incorporated into the financial statements of ERS and its participating employers (the “GASB 67/68 Report”). The most recent GASB 67/68 Report was delivered in March 2025 and presents as of June 30, 2025 the required information measured as of June 30, 2024 as permitted by GASB 68. As reported therein, the total pension liability of the System was \$37,849,517,735, and the System’s fiduciary net position (representing the value of the assets of the System) was \$23,700,632,356 resulting in a net pension liability of the System of \$14,148,885,379. Of such liability, the State’s proportionate share was approximately \$8,200,257,362 (not including approximately \$1,659,606,546 allocated to the University of Hawaii), representing approximately 58% of the total System net pension liability. The State estimates that the General Fund portion of the State’s share is 77%, or approximately \$314,198,000.

Under GASB 67, projected benefit payments by the System are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on System investments. Such expected rate of return, and consequently the single discount rate, is set at 7.00%. GASB 68 further requires disclosure of the sensitivity of the net pension liability to changes in the assumed single discount rate by presenting the changes to the net pension liability associated with a 1% decrease and a 1% increase in the single discount rate. Applying a 6.00% discount rate, the \$14,148,885,379 net pension liability would increase to \$19,104,950,116, and applying an 8.00% discount rate, it would decrease to \$10,043,774,393.

Unfunded Actuarial Accrued Liability. In addition to the annual GASB 67/68 Report, the actuary provides its annual valuation report based on the provisions of Chapter 88 of the Hawaii Revised Statutes, as amended, and the actuarial assumptions adopted by the ERS Board of Trustees. This report determines whether current employer contribution rates are adequate to ensure that the UAAL can be funded over a period not exceeding 30 years, describes the financial condition of ERS and analyzes changes in ERS's condition. The most recent such report is the 2025 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2025.

The valuation report as of June 30, 2016 (the "2016 Valuation Report") reported that the System's funded status had decreased compared to the prior year, which decrease was primarily attributable to the new actuarial assumptions adopted by the Board in December 2016, and, to a lesser degree, to investment and liability experience losses, resulting in a UAAL as of June 30, 2016 of \$12.441 billion. Based on the then-current statutory contribution rates of 25.0% for police and fire employees and 17.0% for all other employees (see "*Funding Policy*" below), and the new benefit tier for employees hired after June 30, 2012, the actuary determined in the 2016 Valuation Report that the remaining amortization period was 66 years. Because this period was not within 30 years (the maximum period specified by HRS Section 88-122(e)(1)), the financing objectives of the System were not being realized. Section 88-122(e)(1) of the Hawaii Revised Statutes provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "*Funding Policy*" below for information on increases in the employer contribution rates and benefits changes.

To bring the System's funding period to within 30 years as required by HRS Section 88-122(e)(1), the Legislature adopted Act 17, SLH 2017 during the 2017 regular legislative session. Act 17 contained significant increases to employer contribution rates over a four-year period, following which rates remained stable (see Table A-13 below). The 2025 Valuation Report reported that the UAAL increased to \$14.410 billion as of June 30, 2025, compared to \$14,008 billion as of June 30, 2024. The System's investment return in fiscal year 2025 was less than the 7.0% assumption. Due to the significant contributions being made to the System, the funded ratio increased to 63.6% in 2025 when compared to the prior year at 63.0% based on smoothed assets. Based on the assumptions used in preparing the 2025 Valuation Report and the future contribution rates established by the Legislature effective July 1, 2017 in Act 17, SLH 2017, the actuary determined that, as of the 2025 Valuation Report, the remaining amortization period was 21 years (down from 22 years as of the 2024 valuation report).

During the 2024 State legislative session, Act 192, SLH 2024 was enacted, amending the maximum funding period to amortize the total UAAL to start at 25 years as determined by the actuarial valuation as of June 30, 2024, and lower by one year annually (therefore, the maximum is 24 years in 2025) until reaching 20 years by the actuarial valuation as of June 30, 2029 and remaining at 20 years thereafter. Thus, the current contribution rates are calculated to be sufficient to eliminate the UAAL over a period of 24 years or less as mandated by HRS Section 88-122(e)(1).

Funding Policy. Prior to fiscal year 2006, the System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the System. Act 327, SLH 1997, amended Section 88-107, HRS, so that, beginning with the June 30, 1997 valuation, the System retains all of its excess earnings for the purpose of reducing the UAAL. However, Act 100, SLH 1999, reinstated the excess earnings credit for the June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return were to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (Section 88-122, HRS, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the Pension

Accumulation Fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, e.g., the contribution requirement derived from the June 30, 1998 valuation was paid into the System during the fiscal year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (a) police officers, firefighters, and corrections officers; and (b) all other employees who are members of the System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers and firefighters and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers and firefighters and 15.00% for all other employees. As of June 30, 2010, the System's actuary determined that the remaining period required to amortize the UAAL was 41.3 years, which was greater than the maximum of 30 years specified by HRS Section 88-122(e)(1). As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements were gradually increased, as set forth in the following Table A-12:

**TABLE A-12
Employer Contribution Requirements**

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0%	15.5%
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0
July 1, 2016	25.0	17.0

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To bring the funding period of the System within 30 years, Act 17, SLH 2017, which became effective on July 1, 2017, increased employer contribution requirements as set forth in the following Table A-13:

**TABLE A-13
Increased Employer Contribution Requirements**

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2017	28.0%	18.0%
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020*	41.0	24.0

*Employer contribution rates will remain at this level in future years until legislative action is taken to change them. Legislation pending in the current session of the Legislature would, if enacted, increase such employer contribution rate for police officers and firefighters from 41.0% to 44.0% for fiscal years beginning on and after July 1, 2027.

The Legislature also included \$34.6 million in fiscal year 2017-2018 and \$70.7 million in fiscal year 2018-2019 in the Executive Budget Bill (Act 49, SLH 2017), which was approved by the Legislature on May 2, 2017 to fund the contribution increases required by Act 17, SLH 2017.

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan, and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph will be 14.2%, 9.8%, 8.0% and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods. The System’s actuary uses the entry age normal cost method. The most recent valuation was performed for the fiscal year ended June 30, 2025.

Since the State statutes governing the System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the UAAL. For the June 30, 2025 valuation, this determination was made using an open group projection due to the effects of the new lower tier of benefits adopted effective July 1, 2012 and the increased employer contribution rates mandated by Act 17, SLH 2017.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (a) actuarial gains and losses, (b) changes in actuarial assumptions, or (c) amendments, affects the funding period.

On an aggregate basis with respect to the contributory, the Hybrid, and the noncontributory plans, the total normal cost for benefits provided by the System for the fiscal year beginning July 1, 2025 was 14.57% of payroll, which was 18.86% of payroll less than the total contributions required by law (25.84% from employers plus 7.59% in the aggregate from employees). Since only 6.98% of the employers’ 25.84% contribution is required to meet the normal cost (7.59% comes from the employee contribution), it is intended that the remaining 18.86% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that pay for new General Employees and Teachers

increases by 3.00% per year and that pay for new Police and Fire Employees increases at 3.50% per year. Due to the changes enacted in 2011 (new benefits and contribution rates for members hired after June 30, 2012) and in 2017 (increases in the employer contribution rates), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

The following Table A-14 shows the valuation results as of June 30, 2025 plus a 30-year open group projection of ERS' assets and liabilities. The projection assumes no actuarial gains or losses in the actuarial liabilities or the actuarial value of assets. In addition, the projection reflects the changes made to the benefits and member contribution rates of employees hired after June 30, 2012, and the increased employer contributions required by Act 17, SLH 2017.

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Projection assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.

TABLE A-14
Projection Results Based on June 30, 2025 Actuarial Valuation*

Valuation as of June 30,	Employer Contribution Rate for Fiscal Year Following Valuation Date	Compensation (in Millions)	Employer Contributions (in Millions)	Actuarial Accrued Liability (AAL, in Millions)	Actuarial Value of Assets (AVA, in Millions)	Unfunded Actuarial Accrued Liability (UAAL, in Millions)	Funded Ratio
2025	25.84%	\$ 5,404	\$1,397	\$39,616	\$ 25,206	\$ 14,410	63.6%
2026	25.82	5,532	1,429	40,980	26,582	14,399	64.9
2027	25.80	5,685	1,467	42,360	28,010	14,350	66.1
2028	25.79	5,842	1,506	43,732	29,473	14,259	67.4
2029	25.77	6,006	1,548	45,098	30,976	14,122	68.7
2030	25.75	6,176	1,591	46,459	32,526	13,933	70.0
2031	25.74	6,351	1,635	47,815	34,126	13,689	71.4
2032	25.71	6,532	1,679	49,165	35,782	13,383	72.8
2033	25.71	6,717	1,727	50,509	37,498	13,010	74.2
2034	25.71	6,909	1,776	51,846	39,282	12,565	75.8
2035	25.71	7,108	1,828	53,180	41,141	12,038	77.4
2036	25.71	7,313	1,880	54,509	43,084	11,424	79.0
2037	25.71	7,525	1,935	55,834	45,118	10,716	80.8
2038	25.71	7,746	1,992	57,159	47,255	9,904	82.7
2039	25.71	7,976	2,051	58,486	49,506	8,980	84.6
2040	25.71	8,216	2,113	59,820	51,885	7,935	86.7
2041	25.71	8,467	2,177	61,168	54,410	6,758	89.0
2042	25.71	8,726	2,243	62,532	57,093	5,439	91.3
2043	25.71	8,994	2,313	63,918	59,952	3,966	93.8
2044	25.71	9,273	2,384	65,332	63,005	2,327	96.4
2045	25.71	9,561	2,458	66,777	66,268	509	99.2
2046	25.71	9,859	2,535	68,258	69,761	(1,503)	102.2
2047	25.71	10,167	2,614	69,781	73,505	(3,724)	105.3
2048	25.71	10,486	2,696	71,353	77,523	(6,169)	108.6
2049	25.71	10,815	2,781	72,979	81,836	(8,857)	112.1
2050	25.71	11,154	2,868	74,664	86,470	(11,806)	115.8
2051	25.71	11,503	2,958	76,412	91,448	(15,036)	119.7
2052	25.71	11,861	3,050	78,225	96,794	(18,569)	123.7
2053	25.71	12,231	3,145	80,108	102,535	(22,428)	128.0
2054	25.71	12,610	3,242	82,064	108,701	(26,638)	132.5

* Projection assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.

Source: 2025 Valuation Report

Actuarial Valuation. The actuarial value of assets is equal to the market value, adjusted for a four-year phase-in of actual investment return in excess of or below expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets is based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year to year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The System’s actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the System to pay benefits when due. Prior to fiscal year 2012, HRS Section 88-122(b) provided for the Board of Trustees to adopt the assumptions to be used by the System, except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for fiscal year 2011 but also amended HRS Section 88-122(b) to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the System. The current assumptions were adopted by the System’s Board of Trustees based on the recommendations of the System’s actuary in the most recent experience study, the 2024 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2025 Valuation Report.

Act 85, SLH 2017, requires the System to conduct an annual stress test of the System and to report the results of the test to the Legislature annually. The test is to project the effect of certain unfavorable scenarios on the System’s assets, liabilities, funded ratio and other specified benchmarks. ERS’ annual stress test shows that ERS can withstand a -20% return in one year followed by 20 years with annual 5% returns (2 percentage points below the assumed rate) before returning to 7%, and will require only moderate rate increases to ensure that the funding period never extends beyond 30 years in any future annual valuation. Act 93, SLH 2017, requires the ERS Board of Trustees to conduct an actuarial experience study of assumptions used in the actuarial valuation of the system at least once every three years. The next experience study will be performed following the June 30, 2027 valuation.

The actual investment returns of the System for fiscal years 2016 through 2025 shown below in Table A-15 consist of a mix of gross and net of fees.

TABLE A-15
Actual Investment Returns

Fiscal Year	Percentage
2016	(0.78)%
2017	13.68
2018	7.85
2019	6.00
2020	1.28
2021	26.63
2022	3.99
2023	2.35
2024	7.40
2025	5.30

Sources: Report on Investment Activity for the ERS prepared by The Bank of New York Mellon (2016 to 2025) and reported in the ERS annual comprehensive financial report

ERS marked a 5.30% gain in fiscal year 2025, and closed at a net asset value of \$24.4 billion, generating a \$1.4 billion in capital appreciation for the fund. When measuring success in implementation, the ERS continues to keep pace with long-term strategic goals. First, absolute returns met or exceeded the ERS required rate of return (7%) over nearly all long-term horizons of 5-years or longer. These results are expected to continue to bolster a healthy and consistent progression toward long-term sustainability. Second, when comparing results to broad market benchmarks, while lagging slightly the portfolio does

track market benchmarks over the long-term horizons of ten years or longer. Finally, when measuring results compared to national peers, risk adjusted returns continue to rank above median for the longer-term horizons of 5-years or longer.

ERS practices a risk-aware investment strategy, emphasizing the importance of balanced risk and preservation of member capital. In the short-term, lagging growth markets is not outside of the range of expectations for the portfolio, as ERS relies less on a single asset class, like stocks, to generate long-term results. As such, in markets that exhibit strong growth characteristics, ERS assets will participate in the upside to a healthy degree, but not completely. Conversely, when markets draw down, the ERS strategy will preserve capital through less downside participation. Through a focused effort on narrowing the range of market outcomes, ERS continues to generate consistent returns while ensuring that the portfolio weathers various markets cycles successfully.

The State anticipates that as the percentage of employees hired on and after July 1, 2012 increases, and increases in the employer contribution rates required by Act 17, SLH 2017 impact the System, the State will be able to fully amortize the UAAL over a period of 30 years or less. In fiscal year 2023, the number of employees entitled to post-2012 retirement benefits exceed the number of employees entitled to pre-2012 retirement benefits for the first time. The combination of the higher contribution policies and new benefit structure for future employees should enable the System to absorb the prior adverse experience and the revised actuarial assumptions over the 30-year term. The 2025 Valuation Report found that the UAAL will be fully amortized over a 21-year period. See “—*Asset Allocation*” below.

The following Table A-16 sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

TABLE A-16
Schedule of Funding Progress
(Dollar amounts in millions)

June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)-(a))/(c)
2016*	\$14,998.7	\$27,439.2	\$12,440.5	54.7%	\$4,258.9	292.1%
2017	15,720.6	28,648.6	12,928.0	54.9	4,265.0	303.1
2018	16,512.7	29,917.4	13,404.7	55.2	4,383.7	305.8
2019*	17,322.2	31,396.4	14,074.2	55.2	4,519.7	311.4
2020	18,084.4	32,691.8	14,607.4	55.3	4,630.2	315.5
2021	19,909.8	34,139.2	14,229.4	58.3	4,783.8	297.5
2022	21,317.8	34,822.8	13,504.9	61.2	4,614.0	292.7
2023	22,514.9	36,224.6	13,709.7	62.2	4,805.3	285.3
2024	23,841.0	37,849.5	14,008.5	63.0	5,084.7	275.5
2025*	25,205.8	39,616.0	14,410.2	63.6	5,403.6	266.7

* Reflects assumption changes effective June 30 of the respective year.

Source: 2025 Valuation Report

The following Table A-17 shows a comparison of the actuarial value of assets (“AVA”) to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ratio based on market value assets:

**TABLE A-17
Value of Assets Comparison**

June 30,	Actuarial Value of Assets (in millions)	Market Value of Assets (in millions)	Market Value as Percentage of AVA	Funded Ratio (AVA)	Funded Ratio (Market Value)
2016	\$14,998.7	\$14,070.0	93.8%	\$54.7	\$51.3
2017	15,720.6	15,698.3	99.9	54.9	54.8
2018	16,512.7	16,598.4	100.5	55.2	55.5
2019	17,322.2	17,227.0	99.5	55.2	54.9
2020	18,084.4	17,385.5	96.2	55.3	53.2
2021	19,909.8	21,935.8	110.2	58.3	64.3
2022	21,317.8	21,854.8	102.6	61.2	62.8
2023	22,514.9	22,425.4	100.4	62.2	61.9
2024	23,841.0	23,700.6	100.6	63.0	62.6
2025	25,205.8	24,925.8	101.1	63.6	62.9

Source: The 2016-2025 Valuation Reports

The following Table A-18 shows the normal cost (which means the annual cost of providing retirement benefits for services performed by today’s members) as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for fiscal years 2025 and 2024:

**TABLE A-18
Normal Cost**

	2025			2024		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	27.72%	12.93%	14.57%	27.12%	12.93%	14.51%
Employee contribution rate	12.88	6.25	6.98	12.82	6.08	6.83
Effective employer normal cost rate	14.84	6.68	7.59	14.30	6.85	7.68

Source: The 2023 Valuation Report

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The following Table A-19 shows the actual contributions that have been contributed by all employers as of the last 10 valuation dates. Employer contribution rates are set prospectively by the statute.

TABLE A-19
Schedule of Employer Contributions
(Dollar amounts in thousands)

June 30,	Actual Contribution
2016	\$ 756,558
2017	781,244
2018	847,595
2019	922,635
2020	1,098,589
2021	1,281,559
2022	1,242,139
2023	1,274,221
2024	1,396,332
2025	1,479,559

Source: The 2016-2025 Valuation Reports

Asset Allocation. ERS implements a risk-based, functional framework for allocating capital within the total portfolio. This framework makes use of strategic/functional classes that in-turn utilize underlying asset classes and strategies. Each of these classes is designed to achieve a certain goal and/or exposure to a specific set of macroeconomic risks that are common amongst the different strategy types and/or assets within the class. As a result of this structure, each strategic class is expected to be exposed to a set of major and minor macroeconomic risks. This risk-based asset allocation model apportions assets within the following categories:

(i) **Broad Growth:** investment strategies and assets that are largely exposed and/or susceptible to changes in global economic growth and corporate profitability. Such investments typically contain relatively high degrees of risk and exhibit more volatility than other strategic classes.

(ii) **Diversifying Strategies:** investment strategies and assets that provide stability, diversification, and liquidity complements to the Broad Growth strategic class. Such investments serve to diversify the Broad Growth class during challenging periods, such as material equity market downturns.

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The following Table A-20 shows the target and actual asset allocation of the System as of June 30, 2025:

TABLE A-20
Asset Allocation
(as of June 30, 2025)

Asset Type	Actual Allocation		Target Allocation		Allocation Difference
	Amount (\$mm)	Percentage	Amount (\$mm)	Percentage	
Broad Growth	\$17,263.40	70.7%	\$17,097.70	70.0%	0.7%
Diversifying Strategies	5,921.40	24.2	7,327.60	30.0	(5.8)
Other	<u>1,240.50</u>	<u>5.1</u>	<u>0.00</u>	<u>0.0</u>	5.1
Total	<u>\$24,425.30</u>	<u>100.0%</u>	<u>\$24,425.30</u>	<u>100.0%</u>	

Source: June 30, 2025 valuations provided by BNY Mellon on February 9, 2023; values unaudited.

GENERAL ECONOMIC INFORMATION

General

The following material pertaining to economic factors in the State under the captions “State of the Economy” from Table A-21 through Table A-31 has been excerpted from the Hawaii State Department of Business, Economic Development and Tourism (“DBEDT”) First Quarter 2026 Quarterly Statistical and Economic Report released on March 12, 2026 (“QSER”) or from other materials prepared by DBEDT, some of which may be found at <http://dbedt.hawaii.gov/> (documents and other information available at such website or linked therefrom are expressly not incorporated herein by this reference). Unless otherwise stated, the following information is historical, estimated figures are used only when the definitive figures are unavailable, and all references to years and quarters are for calendar years and calendar quarters, respectively. The text refers to certain enumerated tables found under “GENERAL ECONOMIC INFORMATION.” The following descriptions of the various components of the State’s economy and DBEDT’s outlook for the economy are below under “State of the Economy,” and there is a brief description in the “Outlook for the Economy” section below explaining the impact of these components on the State’s fiscal position.

DBEDT’s latest forecast for the State’s nominal Gross Domestic Product (“GDP”) (the value of all goods and services produced within the State, formerly called the Gross State Product or “GSP”) growth for 2026 is 4.5%. In real terms (adjusting for inflation), DBEDT estimates the State’s GDP growth will be 1.7% in 2026 compared to that of the previous year.

State of the Economy

Hawaii’s major economic indicators were mixed in the fourth quarter of 2025. Wage and salary jobs, earnings, general excise tax revenues, visitor expenditures, and transient accommodation tax revenues increased while the inflation eased. However, visitor arrivals, private building authorizations, and net income tax, both individual and corporate, decreased.

In the fourth quarter of 2025, the total number of visitors arriving by air to Hawaii decreased 75,853 or 3.2% and the daily visitor census decreased 8,109 or 3.6% compared to the fourth quarter of 2024. Meanwhile, visitor expenditures for visitors arriving by air increased \$435.3 million or 8.5% from the same period a year earlier.

The construction sector gained 2,700 jobs or 6.9% in the fourth quarter of 2025 compared with the same quarter of 2024. In the fourth quarter of 2025, the permit value for private construction decreased \$1,045.2 million or 61.8 percent; however, government contracts awarded increased \$111.0 million or 24.7 percent, compared with the same quarter of 2024. According to the most recent excise tax base data available, the contracting tax base decreased \$523.5 million or 13.2% in the third quarter of 2025, compared with the same quarter of the previous year. For the first three quarters of 2025, the contracting tax base increased \$307.5 million or 2.9% compared with the same period of the prior year.

In the third quarter of 2025 (most recent data available), State general fund tax revenues decreased \$402.7 million or 14.7% over the same period of 2024. In the fourth quarter of 2025, the state general excise tax revenue increased \$114.6 million or 11.0 percent, the net individual income tax revenues decreased \$65.4 million or 7.8 percent, the net corporate income tax revenues decreased \$39.4 million or 29.8 percent, and the transient accommodations tax (TAT) increased \$5.0 million or 2.9 percent. Through the third quarter of 2025, State general fund tax revenues decreased \$553.5 million, or 7.1% compared to the previous year.

Labor market conditions generally improved. In the third quarter of 2025 (the most recent quarterly data available), the civilian labor force averaged 686,250 people, an increase of 4,150 people or 0.6 percent. In the fourth quarter of 2025, Hawaii's non-agricultural wage and salary jobs averaged 657,800 jobs, an increase of 9,900 jobs or 1.5 percent.

The job increase in the fourth quarter of 2025 was due to an increase in private sector jobs. In this quarter, the private sector added about 12,600 non-agricultural jobs compared to the fourth quarter of 2024. The majority of the private sector industries added jobs in the quarter. The number of jobs increased the most in Health Care and Social Assistance, which added 3,700 jobs or 4.8 percent, followed by Food Services and Drinking Places, which added 3,300 jobs or 4.9 percent, Construction, which added 2,700 jobs or 6.9 percent, Accommodation, which added 1,200 jobs or 3.0 percent, and Arts, Entertainment and Recreation, which added 1,000 jobs or 7.2% in the quarter. The Government sector lost 2,700 jobs or 2.1 percent. The Federal Government lost 3,600 jobs or 10.1 percent, the State Government added 500 jobs or 0.7 percent, and the Local Government added 300 jobs or 1.6% compared to the fourth quarter of 2024.

In the third quarter of 2025, total annualized nominal GDP increased \$6,735 million or 5.7 percent, from the third quarter of 2024. In the first three quarters of 2025, total annualized nominal GDP increased \$6,888 million or 5.9% from the same period of the previous year. In the third quarter of 2025, total annualized real GDP (in chained 2017 dollars) increased \$2,036 million or 2.2% from the third quarter of 2024. In the first three quarters of 2025, total annualized real GDP increased \$2,480 million or 2.7% from the same period of the previous year.

In the third quarter of 2025, total non-farm private sector annualized earnings increased \$2,039.8 million or 4.0% from the third quarter of 2024. In dollar terms, the largest increase occurred in Health Care and Social Assistance, followed by Professional, Scientific, and Technical Services; Construction; Retail Trade; and Administration and Waste Management Services. During the third quarter of 2025, total government earnings increased \$1,064.4 million or 5.3% from the same quarter of 2024. Earnings from the federal government increased \$377.3 million. Earnings from the state and local governments increased \$687.1 million in the quarter.

In the second half of 2025, Honolulu’s Consumer Price Index for Urban Consumers (“CPI-U”) increased 2.3% from the same period in 2024. This is 0.5 percentage points lower than the 2.8% increase for the U.S. average CPI-U. It is also lower than the 4.0% increase in the Honolulu CPI-U for the second half of 2024 compared to the same period of the previous year. In the second half of 2025, the Honolulu CPI-U increased the most in Food and Beverages (3.8 percent), followed by Recreation (3.3 percent), Medical Care (3.1 percent), Apparel (2.2 percent), Housing (2.1 percent), Transportation (2.0 percent), and Education and Communication (0.7 percent).

Outlook for the Economy

Hawaii’s economy remained resilient through 2025 and entered 2026 with solid labor market conditions, rising incomes, and continued strength in visitor spending. Economic conditions continue to evolve, however, amid federal policy uncertainty and developments in the Middle East. While global factors are expected to have limited direct impacts on Hawaii, they are part of a broader environment that could indirectly influence the state’s economic performance over time.

The civilian labor force totaled 690,050 in December 2025, an increase of 8,050 people or 1.2% compared with December 2024. Total non-agricultural wage and salary employment reached 661,800 jobs in December 2025, an increase of 1.0% from December 2024. The unemployment rate (not seasonally adjusted) was 2.2% in December 2025, a 0.6 percentage point lower than the 2.8% recorded in December 2024.

Hawaii’s personal income increased in the third quarter of 2025 compared with a year earlier, with most income components rising except Medicaid and state unemployment insurance benefits. Per capita personal income was \$74,830, a 4.6% increase from the third quarter of 2024.

Hawaii’s consumer inflation, measured by the Honolulu Consumer Price Index for All Urban Consumers, was 2.4% in January 2026, the same as the national average and 1.6 percentage points lower than Hawaii’s inflation rate in January 2025.

Total visitor expenditures rose 5.7% in 2025 compared to 2024, while visitor arrivals fell 0.6 percent. In January 2026, Hawaii recorded 874,358 visitor arrivals, an increase of 10.4% compared with January 2025. Expenditures totaled \$2.3 billion, 19.0% higher than in January 2025.

Construction industry payroll jobs increased 6.9% in the fourth quarter of 2025 compared to the same period in 2024. Government contracts awarded increased 24.7% in the fourth quarter of 2025 while capital improvement spending declined slightly during the quarter. Private residential permits for 2025 were up 3.1% and private commercial and industrial permits increased 26.7% compared to 2024. Housing market conditions showed mixed trends in the fourth quarter of 2025. The median price of single-family homes in Honolulu increased modestly to \$1.1 million while condominium prices declined. In February 2026, the median prices for single-family homes and condominiums increased by 1.7% and 1.2 percent, respectively.

At the national level, the U.S. economy is projected to grow at 2.5% in 2026 and 2.1% in 2027 according to the March 2026 Blue Chip Economic Indicators report. Growth prospects for major international economies remain more moderate. DBEDT estimates that Hawaii’s real GDP will increase 1.7% in 2026, 1.8% in 2027, and 1.9% each year in 2028 and 2029.

Visitor arrivals are projected to increase by 0.8% in 2026 and to grow around 0.9% each year between 2027 and 2029. Visitor spending is projected to be \$22.4 billion in 2026 and reach \$24.4 billion in 2029.

Inflation is expected to be 2.8% in 2026, slightly higher than the projected U.S. consumer inflation rate of 2.7% for the same year. Hawaii consumer inflation is expected to decrease to 2.3% in 2029.

Non-agriculture payroll jobs are estimated to grow 0.9% each year in 2026 and 2027, and 0.8% each year in 2028 and 2029.

The state unemployment rate is expected to be 2.6% in 2026, improving to 2.5% in 2027 and 2028, and to 2.4% in 2029.

Personal income is estimated to increase 4.4% in 2026, and to increase 4.3% each year between 2027 and 2029.

Hawaii's population growth is expected to remain flat in 2026 and increase by 0.1% each year between 2027 and 2029.

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Information on Employment, Wages and Salaries, Tax Revenues and Tax Base

TABLE A-21
Selected Economic Activities: State (Fourth Quarter and Year-to-Date (January-December 2025))

SERIES	4th QUARTER			YEAR-TO-DATE		
	2024	2025	% CHANGE YEAR AGO	2024	2025	% CHANGE YEAR AGO
Civilian labor force, NSA (persons) ¹	681,800	(NA)	(NA)	680,300	688,200	1.16
Civilian employed, NSA ¹	661,200	(NA)	(NA)	660,100	670,550	1.58
Civilian unemployed, NSA ¹	20,550	(NA)	(NA)	20,250	17,650	(12.84)
Unemployment rate, NSA (%) ^{1,2}	3	(NA)	(NA)	3	3	(0.40)
Total wage and salary jobs, NSA ¹	652,900	(NA)	(NA)	644,000	(NA)	(NA)
Total non-agric. wage & salary jobs	647,900	657,800	1.53	639,000	651,200	1.91
Nat. Resources, Mining, Construction	39,100	41,800	6.91	39,100	40,700	4.09
Manufacturing	13,100	13,200	0.76	12,900	13,100	1.55
Wholesale Trade	17,300	17,500	1.16	17,300	17,400	0.58
Retail Trade	66,200	66,600	0.60	64,700	65,500	1.24
Transp., Warehousing, Util.	35,000	35,200	0.57	34,500	34,900	1.16
Information	8,300	8,200	(1.20)	8,100	8,200	1.23
Financial Activities	27,600	27,900	1.09	27,400	27,700	1.09
Professional & Business Services	72,500	71,700	(1.10)	72,200	71,400	(1.11)
Educational Services	15,100	15,300	1.32	14,500	15,100	4.14
Health Care & Social Assistance	76,800	80,500	4.82	75,800	78,900	4.09
Arts, Entertainment & Recreation	13,900	14,900	7.19	13,600	14,700	8.09
Accommodation	39,500	40,700	3.04	39,600	40,600	2.53
Food Services & Drinking Places	67,800	71,100	4.87	66,700	69,700	4.50
Other Services	27,100	27,400	1.11	26,800	27,500	2.61
Government	128,600	125,900	(2.10)	125,700	126,000	0.24
Federal	35,800	32,200	(10.06)	35,700	33,900	(5.04)
State	73,700	74,200	0.68	71,000	72,800	2.54
Local	19,100	19,400	1.57	19,000	19,300	1.58
Agriculture wage and salary jobs	5,000	(NA)	(NA)	5,000	(NA)	(NA)
State general fund revenues (\$1,000)	2,331,020	(NA)	(NA)	10,124,966	(NA)	(NA)
General excise & use tax rev. (\$1,000)	1,044,392	1,159,016	10.98	4,494,993	4,773,425	6.19
Income-individual (\$1,000)	833,871	768,459	(7.84)	3,443,730	3,103,526	(9.88)
Declaration estimated taxes (\$1,000)	138,451	130,760	(5.56)	1,028,235	955,373	(7.09)
Payment with returns (\$1,000)	70,182	75,240	7.21	398,459	445,619	11.84
Withholding tax on wages (\$1,000)	737,864	658,277	(10.79)	2,861,997	2,574,167	(10.06)
Refunds (relative to State) (\$1,000)	(112,626)	(95,818)	(14.92)	(844,962)	(871,633)	3.16
Transient accommodations tax (\$1,000)	172,243	177,277	2.92	812,129	823,816	1.44
Honolulu County Surcharge (\$1,000) ³	132,108	143,902	8.93	539,801	578,873	7.24
Private Building Permits (\$1,000)	1,691,068	645,865	(61.81)	4,971,533	4,403,771	(11.42)
Residential (\$1,000)	812,697	257,633	(68.30)	2,239,970	2,310,274	3.14
Commercial & industrial (\$1,000)	89,243	37,869	(57.57)	386,538	489,573	26.66
Additions & alterations (\$1,000)	789,129	350,363	(55.60)	2,345,024	1,603,923	(31.60)
Visitor Days - by air	20,940,844	20,194,794	(3.56)	83,723,188	83,048,599	(0.81)
Domestic visitor days - by air	17,473,621	16,734,814	(4.23)	70,256,142	69,669,227	(0.84)
International visitor days - by air	3,467,222	3,459,980	(0.21)	13,467,046	13,379,372	(0.65)
Visitor arrivals by air - by air	2,381,400	2,305,547	(3.19)	9,533,375	9,493,213	(0.42)
Domestic flight visitors - by air	1,950,434	1,873,847	(3.93)	7,896,390	7,880,369	(0.20)
International flight visitors - by air	430,966	431,700	0.17	1,636,985	1,612,844	(1.47)
Visitor expend. - arrivals by air (\$1,000)	5,125,564	5,560,835	8.49	20,488,686	21,680,722	5.82
Hotel occupancy rates (%) ²	70	73	2.70	73	74	0.50

NA Not available.

¹ Labor force and jobs are Hawaii DBEDT monthly and annual data. Quarterly averages computed by the Hawaii DBEDT 2025 YTD Labor force, employment, unemployed, and unemployment rate based on average of 11 months, not BLS/LRB supported.

² Change represents absolute change in rates rather than percentage change in rates.

³ 0.5% added to the general excise tax to pay for Oahu mass transit system and took effect January 1, 2007. Other counties have since enabled surcharges and are included here.

Source: Hawaii State Department of Business, Economic Development and Tourism, Hawaii State Department of Taxation and Hospitality Advisors, LLC

Key Economic Indicators

Economic Indicators	2024	2025 ¹	2026	2027	2028	2029
	Actual		Forecast			
Total population (thousands) ²	1,435	1,433	1,433	1,435	1,437	1,439
Visitor arrivals (thousands) ³	9,701	9,643	9,725	9,816	9,908	10,002
Visitor days (thousands) ³	84,516	83,745	84,167	84,807	85,478	86,169
Visitor expenditures (million dollars) ³	20,720	21,863	22,422	23,065	23,736	24,395
Honolulu CPI-U (1982-84=100)	340.2	348.9	358.7	367.7	376.6	385.3
Personal income (million dollars)	102,704	107,717	112,482	117,359	122,405	127,628
Real personal income (millions of constant 2017\$)	75,593	77,195	78,676	80,185	81,729	83,297
Non-agricultural wage & salary jobs (thousands)	639.0	651.2	656.7	662.7	667.8	672.9
Civilian unemployment rate (%)	3.0	2.6	2.6	2.5	2.5	2.4
Gross domestic product (million dollars)	117,627	124,172	129,789	135,403	141,419	147,583
Real gross domestic product (millions of chained 2017\$)	91,878	94,280	95,897	97,576	99,411	101,275
Gross domestic product deflator (2017=100)	128.0	131.7	135.3	138.8	142.3	145.7
Annual Percentage Change						
Total population	0.00%	(0.15)%	0.03%	0.13%	0.12%	0.13%
Visitor arrivals	0.45	(0.60)	0.85	0.94	0.94	0.95
Visitor days	(2.21)	(0.91)	0.50	0.76	0.79	0.81
Visitor expenditures	(0.70)	5.52	2.56	2.87	2.91	2.78
Honolulu CPI-U	4.37	2.56	2.79	2.53	2.40	2.32
Personal income	5.92	4.88	4.42	4.34	4.30	4.27
Real personal income	2.99	2.12	1.92	1.92	1.93	1.92
Non-agricultural wage & salary jobs	1.06	1.90	0.86	0.91	0.78	0.75
Civilian unemployment rate ⁴	0.10	(0.37)	0.00	(0.10)	0.00	(0.10)
Gross domestic product	5.27	5.56	4.52	4.33	4.44	4.36
Real gross domestic product	2.49	2.61	1.72	1.75	1.88	1.88
Gross domestic product deflator	2.71	2.87	2.76	2.53	2.52	2.44

¹ Certain of the indicators are preliminary or estimated, such as visitor expenditures, personal income, and gross domestic product.

² July 1 count.

³ Visitors who came to Hawaii by air and by cruise ship. Expenditures includes supplementary business expenditures.

⁴ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, March 12, 2026

Labor Force and Jobs

Hawaii's labor market conditions were generally positive in the latter part of 2025. Due to the federal government shutdown, civilian labor force and employment statistics are unavailable for the fourth quarter. Annual data is based on an average of 11 months. The civilian labor force and civilian employment increased and civilian unemployment decreased. Jobs data is available for the fourth quarter and civilian non-agricultural wage and salary jobs increased. Job losses in the government sector were offset by private sector job gains.

In the third quarter of 2025, the civilian labor force averaged 686,250 people, an increase of 4,150 people or 0.6% from the same quarter of 2024. In 2025, the civilian labor force increased 7,900 people or 1.2% from the previous year.

Civilian employment averaged 669,300 people in the third quarter of 2025, an increase of 9,000 people or 1.4% compared to the same quarter of 2024. In 2025, average civilian employment increased 10,450 people or 1.6% from the previous year.

In the third quarter of 2025, the number of civilian unemployed averaged 16,900, a decrease of 4,900 people or 22.5% from the same quarter of 2024. In 2025, the number of unemployed decreased 2,600 people or 12.8% from the previous year. The unemployment rate (not seasonally adjusted) was 2.5% in the third quarter of 2025, 0.7 percentage points below the third quarter of 2024. In 2025, the unemployment rate decreased 0.4 percentage points from the previous year's 3.0% to 2.6 percent. As of December 2025, the unemployment rate in the State was 2.2% (compared to 4.1% nationwide).

In the fourth quarter of 2025, Hawaii's non-agricultural wage and salary jobs averaged 657,800 jobs, an increase of 9,900 jobs or 1.5% from the same quarter of 2024. In 2025, average non-agricultural wage and salary jobs increased 1.9% or 12,200 jobs from the previous year.

The job increase in the fourth quarter of 2025 was due to job increases in the private sector. In this quarter, the private sector added about 12,600 non-agricultural jobs compared to the fourth quarter of 2024. The majority of the private sector industries added jobs in the quarter. The number of jobs increased the most in Health Care and Social Assistance, which added 3,700 jobs or 4.8 percent, followed by Food Services and Drinking Places, which added 3,300 jobs or 4.9 percent, Construction, which added 2,700 jobs or 6.9 percent, Accommodation, which added 1,200 jobs or 3.0 percent, and Arts, Entertainment and Recreation, which added 1,000 jobs or 7.2% in the quarter. The Government sector lost 2,700 jobs or 2.1% in the fourth quarter of 2025 compared to the same quarter of 2024. The Federal Government lost 3,600 jobs or 10.1 percent, the State Government added 500 jobs or 0.7 percent, and the Local Government added 300 jobs or 1.6 percent, compared to the fourth quarter of 2024.

TABLE A-23
Civilian Labor Force and Employment
(Number of Persons)

Year	Civilian Labor Force	% Change Civilian Labor Force	Civilian Employment	% Change Civilian Employment	Civilian Unemployment Rate
2016	694,200	1.6%	674,050	2.2%	2.9%
2017	696,700	0.4	681,150	1.1	2.2
2018	693,450	(0.5)	676,800	(0.6)	2.4
2019	688,550	(0.7)	671,150	(0.8)	2.5
2020	666,100	(3.3)	588,600	(12.3)	11.6
2021	669,400	0.5	629,400	6.9	6.0
2022	673,000	0.5	650,900	3.4	3.3
2023	678,000	0.7	658,200	1.1	2.9
2024	680,300	0.3	660,100	0.3	3.0
2025 ¹	688,200	1.2	670,500	1.6	2.6

¹ Based on an average of eleven months for 2025. Percent change relative to the average of eleven months for 2024.
Source: Hawaii State Department of Labor and Industrial Relations

Income and Prices

In the third quarter of 2025, total annualized nominal GDP increased \$6,735 million or 5.7 percent, from the third quarter of 2024. In the first three quarters of 2025, total annualized nominal GDP increased \$6,888 million or 5.9% from the same period of the previous year. In the third quarter of 2025, total annualized real GDP (in chained 2017 dollars) increased \$2,036 million or 2.2% from the third quarter of 2024. In the first three quarters of 2025, total annualized real GDP increased \$2,480 million or 2.7% from the same period of the previous year.

Hawaii's total personal income increased during the third quarter of 2025, over the same quarter of 2024. All components of personal income increased in the third quarter of 2025 over the same quarter of the previous year, except Medicaid and state unemployment insurance compensation which are part of personal current transfer receipts.

In the third quarter of 2025, total nominal annualized personal income (i.e. not adjusted for inflation) increased \$4,631.5 million or 4.5% over that of 2024. In the first three quarters of 2025, average personal income was \$107,492.5 million, an increase of \$5,297.0 million or 5.2% from the same period of the previous year. In the third quarter of 2025, personal income per capita was \$74,830, a 4.6% increase over the same quarter of the previous year.

In the third quarter of 2025, wages and salaries increased \$2,115.8 million or 4.3% over the same quarter of 2024. In the first three quarters of 2025, wages and salaries increased \$2,730.1 million or 5.6% from the same period of the previous year.

Supplements to wages and salaries, consisting of employer payments to retirement plans, private group health insurance plans, private workers compensation plans, and other such benefits, increased \$717.8 million or 5.2% in the third quarter of 2025 from the same quarter of 2024. In the first three quarters of 2024, supplements to wages and salaries increased \$893.6 million or 6.5% from the previous year.

Proprietors' income increased \$295.0 million or 3.6% in the third quarter of 2025 over that of 2024. In the first three quarters of 2025, proprietors' income was up \$320.7 million or 4.0% from the same period of the previous year.

Dividends, interest, and rent increased \$585.2 million or 2.6% in the third quarter of 2025 from the same quarter of 2024. In the first three quarters of 2025, income in this category was up \$746.6 million or 3.3% from the same period of the previous year.

Annualized personal current transfer receipts increased \$1,311.7 million or 7.2% in the third quarter of 2025 from the same quarter of 2024. In the first three quarters of 2025, personal current transfer receipts increased \$1,111.8 million or 6.2% from the same period of the previous year.

Contributions to government social insurance, which is subtracted from total personal income, increased \$394.0 million or 4.7% in the third quarter of 2025 compared to the third quarter of 2024. In the first three quarters of 2024, these contributions increased \$505.9 million or 6.1% from the same period of the previous year.

In the third quarter of 2025, total non-farm private sector annualized earnings increased \$2,039.8 million or 4.0% from the third quarter of 2024. In dollar terms, the largest increase occurred in health care and social assistance, followed by professional, scientific, and technical services; construction; retail trade; administrative and waste management services; and other services, except public administration. During the third quarter of 2025, total government earnings increased \$1,064.4 million or 5.3% from the same quarter of 2024. Earnings from the federal government increased 377.3 million. Earnings from the state and local governments increased \$687.1 million in the quarter.

In the second half of 2025, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.3% from the same period in 2024. This is 0.5 percentage points lower than the 2.8% increase for the U.S. average CPI-U. It is also lower than the 4.0% increase in the Honolulu CPI-U for the second half of 2024 compared to the same period of the previous year. In the second half of 2025, the Honolulu CPI-U increased the most in Food and Beverages (3.8 percent), followed by Recreation (3.3 percent), Medical Care (3.1 percent), Apparel (2.2 percent), Housing (2.1 percent), Transportation (2.0 percent), and Education and Communication (0.7 percent).

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TABLE A-24
Personal Income for Hawaii by Major Sources
(In Thousands of Dollars at Seasonally Adjusted Annual Rates and Percent)

Series ^{1,2}	Third Quarter 2024	Second Quarter 2025	Third Quarter 2025	AnnAver 2024	Percentage change to		
					Third Quarter 2025		Ann Aver
					Third Quarter 2024	Second Quarter 2025	2024 from 2023
PERSONAL INCOME	103,486,848	107,489,518	108,118,388	102,703,773	4.48	0.59	5.92
Earnings By Place of Work	71,198,652	73,834,830	74,327,313	70,483,602	4.39	0.67	5.51
Wages and salaries	49,150,160	50,935,164	51,265,995	48,636,051	4.30	0.65	5.77
Supplements to wages and salaries	13,899,544	14,498,455	14,617,369	13,719,125	5.16	0.82	4.74
Emp'er contrib. for emp'ee pension & ins. funds	9,902,520	10,336,099	10,433,195	9,760,827	5.36	0.94	7.12
Employer contributions for gov't social ins.	3,997,024	4,162,356	4,184,174	3,958,298	4.68	0.52	(0.72)
Proprietors' income	8,148,948	8,401,211	8,443,949	8,128,426	3.62	0.51	5.23
Farm proprietors' income	83,296	111,372	100,820	88,121	21.04	(9.47)	36.98
Nonfarm proprietors' income	8,065,652	8,289,839	8,343,129	8,040,305	3.44	0.64	4.97
Dividends, interest, and rent	22,631,428	23,171,112	23,216,582	22,528,188	2.59	0.20	7.68
plus: Personal current transfer receipts	18,124,480	19,298,019	19,436,195	18,073,410	7.24	0.72	4.10
Social Security benefits	6,594,664	7,300,446	7,179,531	6,565,752	8.87	(1.66)	6.90
Medicare benefits	4,145,940	4,499,756	4,622,768	4,112,599	11.50	2.73	7.12
Medicaid	3,002,812	2,830,336	2,951,163	2,997,987	(1.72)	4.27	(2.27)
State unempl. ins. comp.	162,608	151,264	140,567	165,806	(13.55)	(7.07)	(15.38)
All other personal current transfer receipts	4,218,456	4,516,217	4,542,166	4,231,266	7.67	0.57	2.79
Less: Contributions for gov't social insurance	8,467,712	8,814,443	8,861,702	8,381,427	4.65	0.54	3.14
Personal contributions for gov't social ins.	4,470,688	4,652,087	4,677,528	4,423,129	4.63	0.55	6.86
Employer contributions for gov't social ins.	3,997,024	4,162,356	4,184,174	3,958,298	4.68	0.52	(0.72)
Earnings By Industry	71,198,652	73,834,830	74,327,313	70,483,602	4.39	0.67	5.51
Farm Earnings	340,132	374,513	364,610	343,395	7.20	(2.64)	11.94
Nonfarm Earnings	70,858,520	73,460,317	73,962,703	70,140,207	4.38	0.68	5.48
Private earnings	50,912,276	52,494,446	52,952,104	50,585,197	4.01	0.87	4.77
Forestry, fishing, & related activities	(D)	(D)	(D)	(D)	(NA)	(NA)	(NA)
Mining	43,588	43,310	43,446	43,072	(0.33)	0.31	0.08
Utilities	635,248	638,219	654,981	630,040	3.11	2.63	(0.42)
Construction	5,450,888	5,662,982	5,677,872	5,411,370	4.16	0.26	9.17
Manufacturing	(D)	(D)	(D)	(D)	(NA)	(NA)	(NA)
Durable goods	(D)	(D)	(D)	(D)	(NA)	(NA)	(NA)
Nondurable goods	786,036	802,072	805,461	787,026	2.47	0.42	8.02
Wholesale trade	1,738,012	1,759,977	1,764,688	1,727,010	1.53	0.27	2.84
Retail trade	3,899,744	4,030,174	4,084,179	3,897,113	4.73	1.34	2.20
Transportation and warehousing	3,733,560	3,764,035	3,774,958	3,625,802	1.11	0.29	5.96
Information	1,122,180	1,046,458	1,060,367	1,120,607	(5.51)	1.33	5.61
Finance and insurance	1,987,184	2,016,734	2,014,415	1,968,060	1.37	(0.11)	2.13
Real estate and rental and leasing	3,270,648	3,368,230	3,367,282	3,279,778	2.95	(0.03)	1.55
Prof., scientific, & technical services	4,371,212	4,588,487	4,657,788	4,362,749	6.56	1.51	5.76
Management of companies and enterprises	1,230,732	1,327,488	1,352,423	1,225,709	9.89	1.88	2.56
Admin. & waste management services	2,725,444	2,859,217	2,887,125	2,713,426	5.93	0.98	3.20
Educational services	1,048,740	1,111,622	1,132,124	1,061,189	7.95	1.84	0.15
Health care and social assistance	7,644,628	7,996,226	8,069,869	7,613,436	5.56	0.92	5.51
Arts, entertainment, and recreation	1,087,364	1,136,120	1,163,652	1,068,912	7.02	2.42	6.89
Accommodation and food services	6,844,348	6,901,894	6,961,255	6,791,335	1.71	0.86	4.14
Other services, except public admin.	2,794,728	2,892,681	2,934,489	2,772,520	5.00	1.45	6.59
Government and government enterprises	19,946,244	20,965,871	21,010,599	19,555,010	5.34	0.21	7.35
Federal	11,083,916	11,452,730	11,461,199	11,040,761	3.40	0.07	6.99
Federal, civilian	5,130,352	5,144,375	5,112,944	5,107,952	(0.34)	(0.61)	5.38
Military	5,953,564	6,308,355	6,348,255	5,932,809	6.63	0.63	8.42
State and local	8,862,328	9,513,141	9,549,400	8,514,249	7.75	0.38	7.81

(D) Not shown to avoid disclosure of confidential information; estimates are included in higher-level totals. (NA) Not available.

¹ 2025Q1 and 2025Q2 revised from previous QSER.

² Percentage change involving negative values not meaningful.

Source: U.S. Bureau of Economic Analysis, State Quarterly Personal Income (January 23, 2026), accessed January 23, 2026

TABLE A-25
Personal Income
(In Millions of Dollars at Seasonally Adjusted Annual Rates and Percent)

YEAR	ANNUAL AVERAGE	% CHANGE
2016	\$ 70,745	3.7%
2017	73,646	4.1
2018	75,266	2.2
2019	78,587	4.4
2020	82,759	5.3
2021	88,650	7.1
2022	91,008	2.7
2023	96,961	6.5
2024	102,704	5.9
2025 ¹	107,493	5.2

¹First three quarters of 2025. Percent change relative to the first three quarters of 2024.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

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TABLE A-26
Honolulu and U.S. Consumer Price Index, All Urban Consumers* (CPI-U)

Period	U.S.	Honolulu								
		All Items	Food & Beverages	Housing	Apparel	Transportation	Medical Care	Recreation ¹	Educ. & Comm. ¹	Other Goods & Services
2015	237.017	260.165	267.041	276.047	108.893	216.756	378.876	121.840	147.869	478.634
2016	240.007	265.283	272.051	283.565	111.736	211.645	400.408	124.872	149.785	484.820
2017	245.120	272.014	277.301	294.510	115.762	217.646	407.384	125.781	144.410	488.990
2018	251.107	277.078	281.796	300.679	110.259	227.694	(2)	128.651	142.193	497.228
2019	255.657	281.585	287.622	307.889	114.795	223.689	(2)	130.977	143.547	504.378
2020	258.811	286.008	301.370	314.089	113.298	212.767	(2)	135.660	147.241	498.753
2021	270.970	296.818	312.618	323.600	109.057	237.344	438.199	138.901	151.058	525.471
2022	292.655	316.076	338.162	338.500	110.427	272.141	(2)	141.639	153.306	558.353
2023	304.702	325.954	353.063	347.570	126.213	270.792	509	149.448	156.219	610.227
2024	313.689	340.197	366.318	372.322	127.333	272.002	513	154.446	154.214	622.019
2025	321.943	348.922	381.619	380.927	130.990	280.331	527.339	158.540	153.780	639.498
2021H1	266.236	292.475	307.098	320.331	109.694	228.406	435.684	135.097	150.327	518.596
H2	275.703	301.161	318.139	326.870	108.421	246.281	440.714	142.706	151.789	532.346
2022H1	288.347	312.137	333.466	334.694	110.795	267.012	(2)	142.454	152.254	543.073
H2	296.963	320.016	342.859	342.307	110.059	277.270	486.780	140.823	154.359	573.633
2023H1	302.408	322.718	348.620	342.203	128.090	271.623	(2)	148.696	156.292	599.275
H2	306.996	329.190	357.506	352.937	124.335	269.960	509.889	150.200	156.145	621.179
2024H1	312.145	338.045	362.987	369.729	124.760	270.870	510.587	153.779	154.503	622.595
H2	315.233	342.350	369.649	374.915	129.907	273.134	516.369	155.114	153.926	621.444
2025H1	320.229	347.857	379.847	379.509	129.545	281.811	523.145	157.134	152.724	641.062
H2	324.000	350.200	383.746	382.629	132.723	278.556	532.373	160.227	155.047	(2)
Percentage Change from the Same Period in Previous Year										
2015	0.12%	1.00%	4.30%	0.93%	(2.02)%	(8.30)%	7.71%	1.88%	3.05%	4.51%
2016	1.26	1.97	1.88	2.72	2.61	(2.36)	5.68	2.49	1.30	1.29
2017	2.13	2.54	1.93	3.86	3.60	2.84	1.74	0.73	(3.59)	0.86
2018	2.44	1.86	1.62	2.09	(4.75)	4.62	(NA)	2.28	(1.54)	1.68
2019	1.81	1.63	2.07	2.40	4.11	(1.76)	(NA)	1.81	0.95	1.44
2020	1.23	1.57	4.78	2.01	(1.30)	(4.88)	(NA)	3.58	2.57	(1.12)
2021	4.70	3.78	3.73	3.03	(3.74)	11.55	(NA)	2.39	2.59	5.36
2022	8.00	6.49	8.17	4.60	1.26	14.66	(NA)	1.97	1.49	6.26
2023	4.12	3.13	4.41	2.68	14.30	(0.50)	(NA)	5.51	1.90	9.29
2024	2.95	4.37	3.75	7.12	0.89	0.45	0.92	3.34	(1.28)	1.93
2025	2.63	2.56	4.18	2.31	2.87	3.06	2.70	2.65	(0.28)	2.81
2021H1	3.37	2.59	4.05	1.75	(5.52)	7.21	(NA)	(0.41)	3.62	4.81
H2	6.01	4.96	3.43	4.31	(1.88)	15.91	0.72	5.19	1.59	5.90
2022H1	8.31	6.72	8.59	4.48	1.00	16.90	(NA)	5.45	1.28	4.72
H2	7.71	6.26	7.77	4.72	1.51	12.58	10.45	(1.32)	1.69	7.76
2023H1	4.88	3.39	4.54	2.24	15.61	1.73	(NA)	4.38	2.65	10.35
H2	3.38	2.87	4.27	3.11	12.97	(2.64)	4.75	6.66	1.16	8.29
2024H1	3.22	4.75	4.12	8.04	(2.60)	(0.28)	(NA)	3.42	(1.14)	3.89
H2	2.68	4.00	3.40	6.23	4.48	1.18	1.27	3.27	(1.42)	0.04
2025H1	2.59	2.90	4.64	2.65	3.84	4.04	2.46	2.18	(1.15)	2.97
H2	2.78	2.29	3.81	2.06	2.17	1.99	3.10	3.30	0.73	(NA)

* Data on U.S. CPI are released monthly and Honolulu CPI, twice a year in February and August for the half (H) year previous through August 2015. Beginning with the 2nd half and annual average for 2015 data were released in January and will be in January and July henceforth.

NA Not available.

¹ New indexes as of January 1998. Base period is December 1997. The former "Entertainment" index has been discontinued.

² No data were available or data did not meet U.S. Bureau of Labor Statistics' publication criteria.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (Current Series) <<http://data.bls.gov/cgi-bin/dsrv>> accessed January 13, 2026, and BLS Honolulu CPI News Releases and BLS, accessed January 13, 2026

Tourism

A total of 9,642,991 visitors, including arrivals by cruise ships, arrived in 2025, which was a decrease of approximately 0.6% from 9,701,499 visitors in 2024. Total arrivals declined approximately 7.2% when compared to the 10,386,673 visitors that came to the State in 2019. Total visitor spending in 2025 was \$21.75 billion, up from \$20.58 billion (5.7%) in 2024 and higher than \$17.72 billion (22.8%) in 2019. Visitors arriving on domestic and international flights decreased in 2025 compared to 2024. The total number of visitor arrivals by air decreased 75,853 or 3.2% in the fourth quarter of 2025, compared to the fourth quarter of 2024. The total number of visitors arriving by air to the State in the fourth quarter of 2025 represents approximately 91.9% of the total number of visitors arriving by air to the State in the fourth quarter of 2019. For the fourth quarter of 2025, the total average daily visitor census for visitors arriving by air decreased by 8,109 or 3.6% compared to the fourth quarter of 2024. The total average daily visitor census in the fourth quarter of 2025 represents approximately 91.8% of the average daily visitor census in the fourth quarter of 2019. In 2025, total visitor arrivals by air decreased 40,162 or 0.4%, compared to 2024. The total number of visitor arrivals by air in 2024 represents approximately 92.7% of the total number of visitor arrivals by air in 2019. In 2025, the average daily visitor census for visitor arrivals by air decreased 1,221 or 0.5%, compared to 2024. The average daily visitor census in 2025 represents approximately 92.6% of the average daily visitor census in 2019.

In the fourth quarter of 2025, total visitor arrivals on domestic flights decreased 76,587 or 3.9% compared to the fourth quarter of 2024. The total visitor arrivals on domestic flights in the fourth quarter of 2025 represent approximately 106.0% of the total visitor arrivals on domestic flights in the fourth quarter of 2019. In 2025, domestic arrivals were down 16,021 or 0.2%, compared to 2024. Domestic arrivals in 2025 represent approximately 108.6% of the domestic arrivals in 2019.

Arrivals on international flights increased 734 or 0.2% in the fourth quarter of 2025 compared to the same period of 2024. The arrivals on international flights in the fourth quarter of 2025 represent approximately 58.3% of the arrivals on international flights in the fourth quarter of 2019. In 2025, international arrivals decreased 24,121 or 1.5%, compared to 2024. International arrivals in 2025 represent approximately 54.0% of the international arrivals in 2019.

In terms of major market areas, arrivals from the U.S. West in the fourth quarter of 2025 decreased 34,915 or 2.8%, compared to the same period of 2024; arrivals from the U.S. East in the fourth quarter of 2025 increased 15,222 or 2.7%, compared to the fourth quarter of 2024; arrivals from Japan in the fourth quarter of 2025 increased 17,644 or 9.6%, compared to the fourth quarter of 2024; and arrivals from Canada in the fourth quarter of 2025 decreased 24,007 or 18.4%, compared to the fourth quarter of 2024. Arrivals from the U.S. West in the fourth quarter of 2025 represent approximately 106.2% of arrivals from the U.S. West in the fourth quarter of 2019, arrivals from the U.S. East in the fourth quarter of 2024 represent approximately 112.1% of arrivals from the U.S. East in the fourth quarter of 2019, arrivals from Japan in the fourth quarter of 2025 represent approximately 49.9% of arrivals from Japan in the fourth quarter of 2019, and arrivals from Canada in the fourth quarter of 2025 represent approximately 72.5% of arrivals from Canada in the fourth quarter of 2019. In 2025, arrivals from the U.S. West were up 13,044 or 0.3%; arrivals from the U.S. East were up 32,221 or 1.4%; Japanese arrivals were up 23,688 or 3.3%; and Canadian arrivals were down 51,638 or 11.6% from the same period of the previous year. Arrivals from the U.S. West in 2025 represent approximately 109.0% of arrivals from the U.S. West in 2019, arrivals from the U.S. East in 2025 represent approximately 105.7% of arrivals from the U.S. East in 2019, arrivals from Japan in 2025 represent approximately 46.4% of arrivals from Japan in 2019, and arrivals from Canada in 2025 represent approximately 73.0% of arrivals from Canada in 2019.

The total average daily visitor census for visitors who arrived by air was down 3.6% or 8,109 visitors per day in the fourth quarter of 2025, over the same quarter of 2024. The total average daily census in the fourth quarter of 2025 represents approximately 91.8% of the total average daily census in the fourth quarter of 2019. The domestic average daily census decreased 4.2% or 8,031 visitors per day and the international average daily census decreased 0.2% or 79 visitors per day in the fourth quarter of 2025 compared to the fourth quarter of 2024. The domestic average daily census in the fourth quarter of 2025 represents approximately 102.1% of the domestic average daily census in the fourth quarter of 2019, and the international average daily census in the fourth quarter of 2025 represents approximately 61.8% of the international average daily census in the fourth quarter of 2019. In 2025, the domestic average daily census decreased 1,082 or 0.6%; and the international average daily census decreased by 139 or 0.4% from 2024. The domestic average daily census in 2025 represents approximately 104.7% of the domestic average daily census in 2019, and the international average daily census in 2025 represents approximately 57.8% of the international average daily census in 2019.

Nominal expenditures for visitors who arrived by air totaled \$5,560.8 million in the fourth quarter of 2025, an increase of \$435.3 million or 8.5% from the fourth quarter of 2024. Nominal visitor expenditures by air in the fourth quarter of 2025 represent approximately 126.5% of the nominal visitor expenditures in the fourth quarter of 2019. In 2025, visitor expenditures totaled \$21,680.7 million, an increase of \$1,192.0 million or 5.8% from 2024. Visitor expenditures in 2025 represent approximately 122.8% of the visitor expenditures in 2019.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 1.0% or by 32,997 seats in the fourth quarter of 2025; domestic seats increased 0.7% or 18,521 seats, and international seats increased 2.1% or 14,476 seats, compared to the same quarter of 2024. The total airline capacity in the fourth quarter of 2025 represents approximately 98.0% of the total airline capacity, as measured by the number of available seats flown to Hawaii, in the fourth quarter of 2019. Domestic seats in the fourth quarter of 2025 represent approximately 107.9% of the domestic seats in the fourth quarter of 2019, and international seats in the fourth quarter of 2025 represent approximately 72.7% of the international seats in the fourth quarter of 2019. In 2025, the number of total available seats decreased 0.7% or 98,253 seats; domestic seats decreased 0.7% or 69,830 seats; and international seats decreased 2.7% or 73,062 seats, compared to 2024. The total airline capacity in 2025 represents approximately 97.2% of the total airline capacity in 2019. Domestic seats in 2025 represent approximately 108.1% of the domestic seats in 2019, and international seats in 2025 represent approximately 69.0% of the international seats in 2019.

In the fourth quarter of 2025, the Statewide hotel occupancy rate averaged 73.0%, 2.7 percentage points above the occupancy rate for the same quarter of 2024 and 6.5 percentage points below the occupancy rate for the same quarter in 2019. In 2025, the statewide hotel occupancy rate averaged 73.9%, 0.5 percentage points higher than in 2024 and 6.9 percentage points lower than the rate in 2019.

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TABLE A-27
Visitor Arrivals by Air (2021-2025)
(average length of stay, visitor days, average daily census)

	2021	2022	2023	2024	2025 ¹	% Change 2021- 2022	% Change 2022- 2023	% Change 2023- 2024	% Change 2024- 2025
Total Arrivals									
Total	6,777,760	9,138,674	9,499,995	9,533,375	9,493,213	34.83	3.95	0.35	(0.42)
Domestic	6,656,779	8,233,186	7,942,159	7,896,390	7,880,369	23.68	(3.53)	(0.58)	(0.20)
International	120,981	905,488	1,557,836	1,636,985	1,612,844	648.45	72.04	5.08	(1.47)
Average Length of Stay									
Total	9.6	9.3	9.0	8.8	8.8	(3.84)	(2.70)	(2.66)	(0.34)
Domestic	9.5	9.1	9.0	8.9	8.8	(4.13)	(1.33)	(1.36)	(0.63)
International	15.2	10.5	9.0	8.2	8.3	(31.15)	(13.87)	(8.70)	0.84
Visitor Days									
Total	65,312,274	84,736,187	85,674,126	83,723,188	83,048,599	29.74	1.11	(2.28)	(0.81)
Domestic	63,473,882	75,263,260	71,637,671	70,256,142	69,669,227	18.57	(4.82)	(1.93)	(0.84)
International	1,838,392	9,472,927	14,036,455	13,467,046	13,379,372	415.28	48.17	(4.06)	(0.65)
Average Daily Census									
Total	178,938	232,154	234,724	228,752	227,530	29.74	1.11	(2.54)	(0.53)
Domestic	173,901	206,201	196,268	191,957	190,875	18.57	(4.82)	(2.20)	(0.56)
International	5,037	25,953	38,456	36,795	36,656	415.25	48.18	(4.32)	(0.38)

¹ Data for 2025 is preliminary.
Source: Hawaii Tourism Authority

TABLE A-28
Hotel Occupancy Rate (%)

Year	First Quarter	Second Quarter*	Third Quarter*	Fourth Quarter*	Annual Average
	In Percent				
2016	80.7	77.5	80.5	77.5	79.0
2017	81.4	79.4	81.4	78.6	80.2
2018	83.5	81.1	80.1	76.4	80.3
2019	80.5	80.3	82.8	79.6	80.8
2020	70.4	14.7	21.7	22.0	37.1
2021	32.2	63.1	70.2	62.4	57.5
2022	70.3	75.1	77.2	73.3	73.6
2023	75.1	74.2	75.5	73.3	74.7
2024 ¹	76.4	72.9	73.7	70.3	73.4
2025 ¹	75.9	72.9	73.6	73.0	73.9

* The 2nd, 3rd and 4th Quarter averages are computed by Hawaii State Department of Business Economic Development & Tourism from PKF-Hawaii monthly averages through January 1995 and Hospitality Advisors LLC monthly averages from February 1995. The 1st quarter and Annual are as released or revised by source.

¹ Source revises each month of previous year when current year is released.

Source: Hawaii State Department of Business, Economic Development & Tourism, PKF-Hawaii and Hospitality Advisors LLC

Construction and Real Estate

The indicators of Hawaii's construction industry were mixed in the fourth quarter of 2025. Jobs in the construction sector increased. Government contracts awarded increased, but State government CIP expenditures decreased in the quarter compared to the fourth quarter of 2024. Private building authorizations for all counties decreased.

In the fourth quarter of 2025, the number of jobs in the construction sector increased by 6.9% or by 2,700 jobs compared with the same quarter of the previous year. In 2025, the construction sector added 1,600 jobs or 4.1% compared to 2024.

In the fourth quarter of 2025, private building authorizations in the state decreased \$1,045.2 million or 61.8% compared with the fourth quarter of 2024. In 2025, private building authorizations in the state decreased \$567.8 million or 11.4% compared with 2024.

In the fourth quarter of 2025, private building authorizations in Honolulu County decreased \$688.4 million or 64.5 percent, compared with the fourth quarter of 2024. In 2025, private building authorizations in Honolulu County decreased \$457.8 million or 14.3 percent, compared with the previous year.

In the fourth quarter of 2025, private building authorizations in Hawaii County decreased \$158.7 million or 47.7 percent, compared with the fourth quarter of 2024. In 2025, private building authorizations in Hawaii County decreased \$83.7 million or 8.4 percent, compared with the previous year.

In the fourth quarter of 2025, private building authorizations in Maui County decreased 182.4 million or 70.8 percent, compared with the fourth quarter of 2024. In 2025, private building authorizations in Maui County decreased 12.2 million or 1.8% compared with the previous year.

In the fourth quarter of 2025, private building authorizations (residential only) in Kauai County decreased \$15.7 million or 48.4 percent, compared with the fourth quarter of 2024. In 2025, private building authorizations in Kauai County decreased \$14.1 million or 11.7% compared with the previous year.

In the fourth quarter of 2025, government contracts awarded increased \$111.0 million or 24.7 percent, compared with the fourth quarter of 2025. In 2025, government contracts awarded decreased \$1,565.7 million or 45.9% compared with the previous year. State government CIP expenditures decreased \$15.9 million or 3.9% in the fourth quarter of 2025 compared with the same quarter of 2024. In 2025, state government CIP expenditures decreased \$115.4 million or 7.2% from the previous year.

The Honolulu Construction Cost Index for Single Family Residence increased 5.0% in the fourth quarter of 2025 compared to the same quarter of 2024 and similarly increased 4.7% for High-Rise Building. In 2025, the index for Single Family Residence increased 4.4% and 4.1% for High-Rise Building as compared to the previous year.

Average home prices decreased by 9.4% in the fourth quarter of 2025, with single family home prices up by 11.7% and condo prices down by 25.0% over the same quarter of the previous year. The purchase of homes increased by 19.3% for local buyers, increased by 4.4% for mainland buyers, and decreased by 43.2% for foreign buyers over the same quarter of the previous year.

In the fourth quarter of 2025, Honolulu’s median price for single family resales was \$1,120,000, up \$35,000 or 3.2% over the same quarter of 2024. The median price for condominium unit resales was \$510,000, down \$20,000 or 3.8 percent. In fourth quarter of 2025, the number of single-family unit resales in Honolulu increased 11.6 percent, and the number of condominium unit resales increased 4.7% over the same quarter of 2024. In 2025, the number of single-family unit resales increased 3.5 percent, while condominium unit resales decreased 1.1% compared with the previous year.

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TABLE A-29
Estimated Value of Completed Construction, New Private
Building Authorizations, and Government Contracts Awarded*

Year	Contracting tax base ¹	Private Building Authorization ⁴				Government Contracts Awarded
		Total Private Authorizations	Residential ⁴	Commercial & Industrial ²	Additions & Alterations	
In Millions of Dollars						
2014 4/	7,024.0	3,315.1	985.9	498.5	1,830.6	1,096.6
2015 4/	8,112.2	3,963.6	1,651.3	702.9	1,609.4	1,554.6
2016 4/	8,288.2	3,240.6	1,448.0	211.0	1,581.7	1,673.3
2017 4/	8,384.4	3,127.8	1,504.7	395.9	1,227.3	1,191.6
2018 4/	9,455.6	3,268.3	1,395.8	402.2	1,470.3	1,948.5
2019 4/	9,609.3	3,221.4	1,211.6	352.7	1,657.1	593.8
2020 4/ 5/	9,757.2	3,108.5	1,145.0	478.6	1,484.9	2,090.8
2021 4/ 6/ 7/	10,108.4	3,747.1	1,994.8	426.2	1,326.2	1,741.8
2022 4/ 8/ 9/	10,787.1	3,579.3	1,760.0	407.2	1,412.2	4,867.5
2023 4/ 10/ 11/ 12/	11,843.5	3,667.2	1,526.1	546.5	1,594.5	4,979.5
2024 4/	13,955.5	4,971.5	2,240.0	386.5	2,345.0	3,412.0
2025 4/	(NA)	4,403.8	2,310.3	489.6	1,603.9	1,846.3
2021 4/ 1 Qtr.	2,339.0	802.7	305.4	116.9	380.4	493.5
4/ 2 Qtr.	2,643.8	1,345.8	818.0	101.8	426.0	274.9
4/ 6/ 3 Qtr.	2,580.6	937.4	533.2	129.4	274.9	283.0
4/ 7/ 4 Qtr.	2,545.1	661.2	338.2	78.0	244.9	690.4
2022 4/ 1 Qtr.	2,558.8	868.1	480.3	99.0	288.9	220.5
4/ 8/ 2 Qtr.	2,642.5	634.8	281.2	84.1	269.5	3,136.9
4/ 9/ 3 Qtr.	2,786.5	782.9	284.0	135.3	363.7	987.5
4/ 4 Qtr.	2,799.3	1,293.5	714.6	88.8	490.1	522.5
2023 4/ 10/ 1 Qtr.	2,674.9	789.9	343.4	102.9	343.7	3,181.3
4/ 2 Qtr.	3,007.3	946.6	322.0	161.5	463.2	800.3
4/ 3 Qtr.	3,078.9	1,029.3	517.2	64.0	448.1	295.5
4/ 11/ 4 Qtr.	3,082.5	901.3	343.6	218.2	339.5	702.4
2024 4/ 1 Qtr.	3,185.0	1,006.5	463.8	45.8	496.8	377.9
4/ 2 Qtr.	3,339.5	1,248.2	510.8	125.4	611.9	453.8
4/ 3 Qtr.	3,967.2	1,025.8	452.6	126.1	447.1	2,130.5
4/ 4 Qtr.	3,463.8	1,691.1	812.7	89.2	789.1	449.8
2025 4/ 1 Qtr.	3,779.3	1,407.9	778.5	269.9	359.5	355.7
2 Qtr.	3,576.2	1,556.5	900.7	48.6	607.2	735.2
3 Qtr.	3,443.7	793.5	373.5	133.1	286.9	194.6
4 Qtr.	(NA)	645.9	257.6	37.9	350.4	560.8
Percentage Change from the Same Period in Previous Year						
2014 4/	(4.2)	21.9	(3.8)	68.1	30.8	(8.2)
2015 4/	15.5	19.6	67.5	41.0	(12.1)	41.8
2016 4/	2.2	(18.2)	(12.3)	(70.0)	(1.7)	7.6
2017 4/	1.2	(3.5)	3.9	87.6	(22.4)	(28.8)
2018 4/	12.8	4.5	(7.2)	1.6	19.8	63.5
2019 4/	1.6	(1.4)	(13.2)	(12.3)	12.7	(69.5)
2020 4/ 5/	1.5	(3.5)	(5.5)	35.7	(10.4)	252.1
2021 4/ 6/ 7/	3.6	20.5	74.2	(11.0)	(10.7)	(16.7)
2022 4/ 8/ 9/	6.7	(4.5)	(11.8)	(4.5)	6.5	179.4
2023 4/ 10/ 11/ 12/	9.8	2.5	(13.3)	34.2	12.9	2.3
2024 4/	17.8	35.6	46.8	(29.3)	47.1	(31.5)
2025 4/	(NA)	(11.4)	3.1	26.7	(31.6)	(45.9)
2021 4/ 1 Qtr.	(5.2)	2.3	33.5	(2.9)	(12.7)	40.1
4/ 2 Qtr.	17.8	94.2	163.4	(23.9)	71.2	(52.8)
4/ 6/ 3 Qtr.	(2.5)	11.2	79.4	(0.4)	(34.0)	6.2
4/ 7/ 4 Qtr.	6.1	(16.0)	9.6	(17.4)	(36.3)	(22.4)
2022 4/ 1 Qtr.	9.4	8.2	57.3	(15.3)	(24.1)	(55.3)
4/ 8/ 2 Qtr.	(0.0)	(52.8)	(65.6)	(17.4)	(36.7)	1041.1
4/ 9/ 3 Qtr.	8.0	(16.5)	(46.7)	4.5	32.3	249.0
4/ 4 Qtr.	10.0	95.6	111.3	13.8	100.1	(24.3)
2023 4/ 10/ 1 Qtr.	4.5	(9.0)	(28.5)	3.9	19.0	1342.5
4/ 2 Qtr.	13.8	49.1	14.5	92.0	71.8	(74.5)
4/ 3 Qtr.	10.5	31.5	82.1	(52.7)	23.2	(70.1)
4/ 11/ 4 Qtr.	10.1	(30.3)	(51.9)	145.7	(30.7)	34.4
2024 4/ 1 Qtr.	19.1	27.4	35.1	(55.5)	44.6	(88.1)
4/ 2 Qtr.	11.0	31.9	58.7	(22.3)	32.1	(43.3)
4/ 3 Qtr.	28.8	(0.3)	(12.5)	97.1	(0.2)	621.0
4/ 4 Qtr.	12.4	87.6	136.6	(59.1)	132.4	(36.0)
2025 4/ 1 Qtr.	18.7	39.9	67.8	489.4	(27.6)	(5.9)
2 Qtr.	7.1	24.7	76.3	(61.2)	(0.8)	62.0
3 Qtr.	(13.2)	(22.6)	(17.5)	5.6	(35.8)	(90.9)
4 Qtr.	(NA)	(61.8)	(68.3)	(57.6)	(55.6)	24.7

[Footnotes follow on the next page]

NA Not available.

⁴ First Hawaiian Bank has discontinued compiling Government Contracts Awarded. Hawaii State Department of Business, Economic Development & Tourism has compiled preliminary estimates beginning with the fourth quarter 1997, based on data in Building Industry.

¹ Formerly, this category was "Value of Construction Completed," subject to revision by Hawaii State Department of Taxation.

² Includes hotels.

³ Kauai County Private Building Authorizations data for November consist of residential data only.

⁴ Beginning with 2002 Kauai Private Building Authorizations data available for residential only.

⁵ In January 2020, the U.S. Navy awarded a \$990 million 5-year contract to 7 firms of which 2 were Hawaii firms. Hawaii as 100% place of performance (POP).

⁶ In one U.S. Navy September contract, Hawaii was designated 'POP' for 40% or \$200 million and the remainder as other NAVFAC Pacific.

⁷ In one U.S. Navy November contract Hawaii was designated 'POP' for 40% or \$3.2 billion and the remainder as Washington (state).

⁸ In one U.S. Navy June \$995 million contract, Hawaii was designated 'POP' for 95% or \$945.3 million and the remainder as Wake Island.

⁹ In one U.S. Navy August \$32.4 million contract awarded to a Hawaii firm, but Hawaii was not designated as 'POP'.

¹⁰ In one U.S. Navy March contract, Hawaii was designated 'POP' for 100% of \$2.8 billion task order for November 2021 indefinite-delivery/indefinite-quantity multiple-award.

¹¹ In one U.S. Navy October design-build/design-bid-build multiple award \$248 million contract Hawaii was 100% POP, and 5 of the 9 were Hawaii firms, but no task orders issued.

¹² "Private Building Authorizations" for "Residential" and "Commercial & Industrial" revised from previous QSER.

Source: Hawaii State Department of Taxation; county building departments; U.S. Census Bureau; First Hawaiian Bank; Building Industry

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TABLE A-30
Estimated Value of Private Building
Construction Authorizations, By County

<i>Year</i>	<i>State</i>	<i>City & County of Honolulu</i>	<i>Hawai'i County</i>	<i>Kaua'i County</i>	<i>Maui County</i>
In Thousands of Dollars					
2/ 2014	3,315,078	2,072,202	697,063	102,195	443,617
2/ 2015	3,963,607	2,436,954	689,454	105,707	731,491
2/ 2016	3,240,649	2,141,467	576,015	138,481	384,686
2/ 2017	3,127,828	2,007,815	497,218	145,266	477,528
2/ 2018	3,268,292	1,985,648	578,662	144,149	559,832
2/ 2019	3,221,446	2,063,293	552,078	123,067	483,008
2/ 2020	3,108,490	1,816,672	670,865	149,305	471,647
2/ 2021	3,747,106	2,254,312	727,067	130,159	635,569
2/ 2022	3,579,323	2,010,381	855,139	141,785	572,019
2/ 2023	3,667,169	1,848,573	883,727	160,218	774,651
2/ 2024	4,971,533	3,193,932	994,461	120,109	663,031
2/ 2025	4,403,771	2,736,183	910,762	106,035	650,790
2/ 2021 1 Qtr.	802,667	490,981	164,416	43,719	103,552
2/ 2 Qtr.	1,345,841	919,250	260,762	23,285	142,543
2/ 3 Qtr.	937,445	563,456	110,828	36,177	226,984
2/ 4 Qtr.	661,153	280,625	191,060	26,978	162,490
2/ 2022 1 Qtr.	868,127	494,478	186,238	32,737	154,674
2/ 2 Qtr.	634,830	284,613	236,497	29,328	84,392
2/ 3 Qtr.	782,906	384,767	223,581	31,438	143,120
2/ 4 Qtr.	1,293,459	846,522	208,822	48,281	189,834
2/ 2023 1 Qtr.	789,937	372,613	219,763	33,927	163,633
2/ 2 Qtr.	946,646	437,505	254,373	39,346	215,422
2/ 3 Qtr.	1,029,313	585,785	187,782	39,735	216,011
2/ 4 Qtr.	901,274	452,670	221,810	47,209	179,585
2/ 2024 1 Qtr.	1,006,480	603,781	204,750	43,823	154,126
2/ 2 Qtr.	1,248,195	784,051	300,758	22,168	141,219
2/ 3 Qtr.	1,025,789	738,067	156,003	21,784	109,934
2/ 4 Qtr.	1,691,068	1,068,033	332,949	32,334	257,751
2/ 2025 1 Qtr.	1,407,900	854,981	302,614	33,064	217,241
2/ 2 Qtr.	1,556,546	1,150,149	212,381	30,948	163,067
2/ 3 Qtr.	793,460	351,467	221,480	25,350	195,162
2/ 4 Qtr.	645,865	379,585	174,288	16,672	75,320
Percentage Change From The Same Period in Previous Year					
2/ 2014	21.9	11.0	57.1	19.6	36.5
2/ 2015	19.6	17.6	-1.1	3.4	64.9
2/ 2016	-18.2	-12.1	-16.5	31.0	-47.4
2/ 2017	-3.5	-6.2	-13.7	4.9	24.1
2/ 2018	4.5	-1.1	16.4	-0.8	17.2
2/ 2019	-1.4	3.9	-4.6	-14.6	-13.7
2/ 2020	-3.5	-12.0	21.5	21.3	-2.4
2/ 2021	20.5	24.1	8.4	-12.8	34.8
2/ 2022	-4.5	-10.8	17.6	8.9	-10.0
2/ 2023	2.5	-8.0	3.3	13.0	35.4
2/ 2024	35.6	72.8	12.5	-25.0	-14.4
2/ 2025	-11.4	-14.3	-8.4	-11.7	-1.8
2/ 2021 1 Qtr.	2.3	11.9	-0.5	23.9	-28.9
2/ 2 Qtr.	94.2	158.2	56.1	-36.2	6.7
2/ 3 Qtr.	11.2	-2.5	-16.9	-40.7	219.9
2/ 4 Qtr.	-16.0	-36.8	-6.9	63.4	33.8
2/ 2022 1 Qtr.	8.2	0.7	13.3	-25.1	49.4
2/ 2 Qtr.	-52.8	-69.0	-9.3	26.0	-40.8
2/ 3 Qtr.	-16.5	-31.7	101.7	-13.1	-36.9
2/ 4 Qtr.	95.6	201.7	9.3	79.0	16.8
2/ 2023 1 Qtr.	-9.0	-24.6	18.0	3.6	5.8
2/ 2 Qtr.	49.1	53.7	7.6	34.2	155.3
2/ 3 Qtr.	31.5	52.2	-16.0	26.4	50.9
2/ 4 Qtr.	-30.3	-46.5	6.2	-2.2	-5.4
2/ 2024 1 Qtr.	27.4	62.0	-6.8	29.2	-5.8
2/ 2 Qtr.	31.9	79.2	18.2	-43.7	-34.4
2/ 3 Qtr.	-0.3	26.0	-16.9	-45.2	-49.1
2/ 4 Qtr.	87.6	135.9	50.1	-31.5	43.5
2/ 2025 1 Qtr.	39.9	41.6	47.8	-24.5	40.9
2/ 2 Qtr.	24.7	46.7	-29.4	39.6	15.5
2/ 3 Qtr.	-22.6	-52.4	42.0	16.4	77.5
2/ 4 Qtr.	-61.8	-64.5	-47.7	-48.4	-70.8

¹ Kauai County data for November consist of residential data only.

² Beginning with 2002, Kauai data available for residential only. Values shown for 2001 are all private authorizations however, percentage change 2001-2002 is based on residential only or 2001Q1 of 32,006; 2001Q2 of 22,290; 2001Q3 of 26,613; 2001Q4 of 53,344 and 2001 of 134,253.

Source: County building departments and U.S. Census Bureau

Federal Government and Military

The federal government plays an important role in Hawaii's economy, and all branches of the military have a major presence in the State including through military bases and leasing of State land. The Hawaii-based Indo-Pacific Command is responsible for over 50% of global command activity and remains essential to national security. Federal government awards to the State government totaled \$5.1 billion in fiscal year 2025, the second highest on record. These government awards included a \$12 billion project at the Pearl Harbor Naval Shipyard, which is nearing completion, and a \$190 million federal grant awarded for the Rural Health Transformation Program to modernize rural access to healthcare.

According to U.S. Bureau of Economic Analysis ("BEA") data, the total compensation of employees ("COE") of federal government employees in Hawaii was about \$11.0 billion in 2024, up 7.0% from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 17.7% of Hawaii's total COE in 2024. Between 2009 and 2024, the annual average compounded growth rate for COE was 3.8% for federal civilian personnel and 1.9% for military personnel in Hawaii. Military personnel accounted for 53.7% of the total federal COE in 2024. The federal government accounted for about 11.1% of State GDP in Hawaii in 2024, a majority of which is defense related. According to the Department of Defense ("DoD"), DoD spending in the State, including for contracts and payroll, was approximately \$11.9 billion for federal fiscal year 2024¹.

Recent BEA data also shows that the earnings of federal government employees in the third quarter of 2025 increased 3.4% over the third quarter of 2024. In 2024, the earnings of federal government employees increased 7.0% from the previous year.

Future levels of federal funding (including but not limited to defense funding, disaster relief and recovery, and other mitigation and economic recovery funds) in Hawaii may be subject to, among other things, potential spending cutbacks and deferrals that may be implemented to reduce the federal budget deficit, but also may increase to reflect such factors as the impacts of natural disasters and the importance of the Asia Pacific Region. Accordingly, the nature and extent of future levels of federal funding cannot be predicted. The State does not anticipate nor is the State dependent upon the receipt of any future federal funding or grants to repay the Bonds.

Transportation

Because the State's population resides on seven islands, the State is dependent on fast, efficient, low-cost transportation, both interstate and intrastate.

Ocean Surface Transportation. Hawaii's isolated island geography underscores the significance of ocean cargo transport as the lifeline and only viable means to serve and support every facet of the local economy, including tourism, construction, national defense, agriculture, and all other industries. An estimated 85% of all goods consumed in Hawaii are imported, and 91% of the imported goods arrive through the commercial port system. Hawaii's residents heavily depend on its commercial port system and a disruption of ocean transport services and the delay of movement of cargo from the port to a final destination could severely impair the state economy.

The Pacific Ocean serves as Hawaii's "interstate" highway system. Unlike the continental U.S. where multiple modes of transportation are available to transport goods, Hawaii's only alternative to ocean transport of cargo is air transport which is relatively expensive and incapable of satisfying Hawaii's total

¹ The highest spending of any state in the U.S. in terms of spending to GDP ratio at 10.3% (Defense spending includes parts of the federal civilian personnel, according to sources including U.S. Bureau of Economic Analysis and U.S. Department of Defense; Hawaii Department of Business, Economic Development & Tourism; USASpending.gov and Hawaii State FAMIS.

demand. To match the cargo load carried by a single 2,600 TEU containership, the equivalent of 150 Boeing 747 cargo aircraft is required. In other words, there is no economically feasible alternative to ocean transport of cargo.

The Hawaii Department of Transportation (HDOT) is tasked with the mission of effectively managing and operating the statewide commercial port system that facilitates the efficient movement of people and goods to, from, and between the Hawaiian Islands. This port system operates on the MH-1 Daniel K. Akaka Marine Highway as a hub-and-spoke system with Honolulu Harbor on the island of Oahu (where 68% of Hawaii's 1.4 million residents live) as the hub and primary entry point for incoming cargo from the continental United States and foreign countries. From Honolulu, cargo is distributed to five other islands served by seven commercial harbor facilities on those islands.

The port system is an Enterprise Fund of the State and is required by Hawaii statutes to be self-sustaining, thus, it is authorized to impose and to collect rates and charges for the use of the port facilities and properties, enabling it to pay its operating expenses and to pay its bond debt service.

Overseas and inter-island cargo tonnage handled through Honolulu Harbor was 9.6 million short tons in fiscal year 2021, 10.3 million short tons in fiscal year 2022, 10.4 million short tons in fiscal year 2023, 10.0 million short tons in fiscal year 2024, and 10.0 million short tons in fiscal year 2025.

Act 200, SLH 2008, was enacted to authorize a statewide Harbors Modernization Plan ("HMP") to allow the port system to undertake infrastructure improvements at Kahului Harbor on Maui, Nawiliwili Harbor on Kauai, Hilo and Kawaihae Harbors on Hawaii, and Honolulu and Kalaeloa Barbers Point Harbors on Oahu and to issue harbor system revenue bonds to finance these improvements.

The HDOT has completed several HMP projects and is in the process of completing the keystone Kapalama Container Terminal ("KCT"). The KCT Phase I container yard project was completed during calendar year 2021, and the KCT Phase II construction of nearly 1,900 linear feet of piers began during January 2021 with the projected completion to occur at the end of 2026.

Air Transportation. The statewide airports system consists of 15 airports; 11 serving both commercial and general aviation, and four small airports for general aviation only, all located on six islands within the State of Hawaii. The principal airport which provides facilities for overseas flights (i.e., other than interisland flights within the State) is Daniel K. Inouye International Airport ("HNL") on the island of Oahu. HNL is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, two of which are among the nation's longest at 12,000 feet and 12,300 feet. Terminals 1 and 2 provide 53 gates for overseas and inter-island flights with loading bridges, and an additional four ground-loaded gates are located in Concourse G. Terminal 3 provides aircraft parking positions for inter-island commuter operations. HNL is the most important airport in the State airports system.

Kahului Airport on the island of Maui, Ellison Onizuka Kona International Airport at Keahole, and Lihue Airport on the island of Kauai provide inter-island flights and direct flights to and from the continental United States and Canada. Hilo International Airport on the island of Hawaii is another small-hub airport that serves inter-island flights.

Total enplaned passengers reached 18.7 million in fiscal year 2019 before declining to a low of 6.1 million in fiscal year 2021. Since then, traffic has staged a robust recovery, reaching 19.4 million in fiscal year 2023, 19.2 million in fiscal year 2024, and 19.4 million in fiscal year 2025. This sustained passenger growth was primarily driven by resilient domestic overseas and inter-island traffic. In contrast, international enplanements remained below pre-pandemic levels at 2.1 million in fiscal year 2025,

compared to 3.2 million in fiscal year 2019; this shortfall is largely attributed to the unfavorable exchange rate of the Japanese Yen. Despite the international lag, total operating revenues grew to \$603.6 million in fiscal year 2025—up from \$440.8 million in fiscal year 2019—supported by steady air traffic and effective cost-recovery mechanisms.

Capital Improvement Projects to modernize the State’s airport facilities continue to move forward. The projects are funded by cash, revenue bonds, federal grants, passenger facility fees and rental car facility collections. In addition to the usual federal grants, the Airports received additional Bipartisan Infrastructure Law (“BIL”) grants. The BIL established two programs over five years: (a) the Airport Infrastructure Grant (“AIG”) Allocated Program that allocates grants annually to eligible airports, and (b) the AIG Competitive Program that allocates grants through a competitive process. The Department of Transportation, Airports, has received \$49.3 million annually for the first two years under the AIG Allocated Program and \$50.3 million in the third year. It has also received a total of \$59.8 million in the first four years under the AIG Competitive Program.

On September 18, 2024, the parent company of Alaska Airlines completed a \$1.9 billion acquisition of Hawaiian Airlines, which maintains its corporate headquarters in Honolulu and had approximately 7,200 employees before the merger. For the first 12-18 months, the two airlines are expected to continue to operate as separate carriers as they work toward integration under a single operating certificate. The combined airline is expected to have approximately 33,000 employees, and initial steps have been taken toward negotiating new collective bargaining agreements with its union workers.

Land Transportation. In the State, three levels of government have authority to construct and maintain public highways, streets and roads. These levels of government are the State, the counties and various federal agencies. The State is served by approximately 4,399.092 linear miles of public highways, streets and roads administered by the Department of Transportation and the counties. An additional 129.54 miles of public highways, streets and roads open to the public in national parks and military reservations are the responsibility of various federal agencies, including the United States National Park Service and the military services.

The State Highway System, which is administered by the Department of Transportation, consists of 952.328 linear miles of roadways. The Department has classified the State Highway System as follows: Interstate, Freeway Expressway, Principal Arterial, Minor Arterial, Major Collector, Minor Collector, and Local.

The City and County of Honolulu completed and opened for service in June 2023 the first segment of a new 19-mile fixed guideway light rail transit system, comprising 10.75 miles of guideway and nine stations along Oahu’s southern coast from East Kapolei to Halawa. In October 2025, the City and County completed and opened the second segment, adding 5.2 miles and six stations and extending service from Halawa to Kalihi Transit Center in Honolulu. With the completion of the second segment, approximately 84% of the guideway and 13 of the system’s 19 stations will be fully operational. Construction of the third segment – an additional three miles of guideway and six stations extending from Kalihi to Kakaako in downtown Honolulu – is underway and expected to be operational in 2031.

Construction of the project has been funded with the State surcharge of 1/2 of 1% imposed upon Oahu activities subject to the 4% General Excise and Use Tax (“GET Surcharge”) and with federal moneys. In response to projected funding shortfalls, Act 1, 1st Special Session 2017, extended the GET Surcharge, increased the transient accommodations tax and allocated a portion of the increased revenues to provide additional funding for construction of the fixed guideway mass transit system. Act 1 extended the GET Surcharge from December 31, 2027 to December 31, 2030, decreased the State’s retainage for administrative expenses from 10.0% to 1.0%, increased the transient accommodations tax from 9.25% to

10.25% from January 1, 2018 to December 31, 2030 and allocated those revenues to the system. Act 1 prohibited use of the GET Surcharge and transient accommodations tax revenues for operation or maintenance costs of the system and administrative costs of the Honolulu Authority for Rapid Transportation. Act 1, SLH 2021, authorized the counties to establish and administer their own transient accommodations tax (“TAT”) at a maximum rate of 3%. The City and County of Honolulu subsequently passed Ordinance No. 21-33 which imposed a 3% county TAT on Oahu transient rental properties effective December 14, 2021. For the first two years, one third of the TAT revenue is dedicated to the rail project, and from the third year one half of the TAT revenues is dedicated to the rail project.

Due to schedule delays and projected funding shortfalls, the Honolulu Authority for Rapid Transportation (“HART”) submitted a 2022 Recovery Plan to the Federal Transit Administration on June 3, 2022, which proposed to temporarily truncate the project scope by shortening the rail line by one mile and two stations, and to defer a 1,600-stall parking structure in a station in Pearl City. The 2022 Recovery Plan was accepted by the Federal Transit Administration (“FTA”) on September 30, 2022. HART and the FTA collaborated on an amendment on the Full Funding Grant Agreement (“FFGA”) based on the truncated scope of the project in order to release the remaining \$744 million in federal funding. An amendment was approved and signed by Mayor Blangiardi and HART Executive Director Lori Kahikina on February 1, 2024. On April 23, 2024, HART received \$125 million of the remaining \$744 million in federal funds, the first funding received under the FFGA since 2017, leaving a remaining balance of \$619 million for future funding.

In August 2024, a \$1.66 billion contract was awarded to Tutor Perini Corporation to construct the third segment, to include six stations and approximately three miles of elevated rail guideway from Middle Street – Kalihi Transit Center to the Civic Center Station in Kakaako. Upon award of the segment three construction contract, HART received \$250 million in federal funds under the FFGA, leaving a balance of \$369 million.

The following Table A-31 sets forth the total number of motor vehicle registrations subject to renewal in the State by type of vehicle for each of the last ten calendar years ending December 31.

TABLE A-31
Motor Vehicle Registration

Calendar Year	Passenger Vehicles	Ambulances & Hearses	Buses	Trucks	Motorcycles & Scooters¹	Trailers	Total
2015	1,001,879	108	2,465	196,240	32,831	27,820	1,261,343
2016	1,000,684	119	2,377	198,469	31,082	28,826	1,261,557
2017	1,016,088	114	2,344	201,686	39,312*	29,010	1,288,554
2018	1,023,774	103	2,278	201,686	39,936*	28,438	1,296,415
2019	1,038,642	101	2,146	199,817	39,137*	28,501	1,308,344
2020	1,000,939	105	1,940	195,274	36,881*	27,399	1,262,538
2021	1,000,511	109	1,847	193,776	37,424*	26,116	1,259,773
2022	1,021,374	107	1,796	192,810	38,359*	25,622	1,280,068
2023	1,036,671	100	1,742	190,846	37,321*	25,754	1,292,434
2024	1,037,920	97	1,624	189,241	35,697*	25,419	1,289,998

¹ Includes mopeds.

Source: Summary of Registered Vehicles, Various Years, Department of Information Technology, City & County of Honolulu

Education

Unlike many other states, the State operates a statewide public school system for elementary, intermediate, and high schools. The public education system at all levels (elementary, intermediate, high school, colleges and universities) is financed at the State level rather than the local level. This includes both capital outlays and costs of operation. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B.

Hawaii’s public school system was founded on October 15, 1840, by King Kamehameha III. It is the oldest public school system west of the Mississippi and comprises 258 Department of Education schools and 38 charter schools. By law, children in Hawaii attend school from age 5 to 18 pursuant to Section 302A-1132, Hawaii Revised Statutes.

For the 2025-26 school year, 163,651 students are enrolled in Hawaii’s public and charter schools, a 1.02% decrease from the count of 165,340 students for the 2024-25 school year. The enrollment count includes students in the State’s public schools (including the Department of Education’s distance learning program) and the State’s 38 charter schools.

The University of Hawaii was established in 1907 on the model of the American system of land grant universities created initially by the Morrill Act of 1862. In the 1960s and 1970s, the University was developed into a system of accessible and affordable campuses. These institutions currently include:

- A research university at Mānoa, offering a comprehensive array of undergraduate, graduate and professional degrees through the doctoral level, including law, and a medical school and a cancer research center in Kakaako in downtown Honolulu;
- A comprehensive, primarily baccalaureate institution at Hilo, offering professional programs based on a liberal arts foundation and selected graduate degrees, including a College of Pharmacy with a four-year curriculum leading to a Doctor of Pharmacy degree;
- A baccalaureate institution at West Oahu, for which a new permanent campus was opened in August 2012, offering degrees in the liberal arts and professional studies; and
- A system of seven open-door community colleges spread across the islands of Kauai, Oahu Maui, and Hawaii, offering quality liberal arts and workforce programs.

For the fall 2025 semester, 51,411 students enrolled in the University of Hawaii System, a 2% increase compared to fall 2024, including over 20,000 students on the Mānoa campus. In the fall of 2024, 50,418 students attended the University of Hawaii System, with 20,028 of them on the Mānoa campus. The 2024 enrollment reflected an increase over fall of 2023, when 48,933 students attended the University of Hawaii System, 19,256 of them on the Mānoa campus.

State Housing Programs

Since 1970, the State has undertaken a program to alleviate the shortage of housing in the State under comprehensive housing laws. The law recognizes that all phases of housing are related to one another and consequently attempts to cover all such phases, from construction through permanent financing, and attempts to solve or mitigate the housing problem by using both the public and private sectors. To this end the State has undertaken, among other things, to facilitate the development of real property and the construction of dwelling units in partnership with qualified developers and contractors. The State’s participation consists of construction financing (interim financing), including land acquisition. Other State

efforts include construction and permanent financing for developers of residential housing; development by the State of single and multifamily residential housing units on land owned by the State or on land purchased or to be purchased for such purpose or on land leased from third parties; and loans to qualified residents of the State who are qualified purchasers of affordable dwelling units.

The State also administers federal and state housing assistance programs for low-income families. Included are the management of low-rent public housing units, the administration of HUD Section 8 tenant-based housing assistance program and other federal and State programs intended to provide very low to low-income residents with safe, decent and sanitary housing.

In 2006, the Housing and Community Development Corporation of Hawaii (“HCDCH”), which previously carried out State housing programs, was bifurcated into the Hawaii Public Housing Authority (“HPHA”) and the Hawaii Housing Finance and Development Corporation (“HHFDC”), which took over the assets, obligations and functions of HCDCH, respectively. HPHA performs the function of developing and maintaining public housing, while HHFDC performs the function of housing finance and development.

HPHA serves and houses over 45,000 individuals with 6,400 families receiving monthly rental assistance. The Ka Lei Momi Project is an initiative by HPHA aimed at revitalizing multiple communities within its public housing inventory. This project is expected to deliver over 10,000 new, affordable rental and for-sale units in mixed-income, mixed-use, and transit-oriented communities and is part of a broader effort to address housing needs and improve living conditions throughout the state.

HHFDC deploys several financing and development resources for affordable housing projects across the State. Finance programs include the Low-Income Housing Tax Credit (LIHTC), Hula Mae Multi-Family (HMMF) Bond, Rental Housing Revolving Fund (RHRF), Dwelling Unit Revolving Fund (DURF), Affordable Homeownership Revolving Fund (AHRF) and the Federal HOME Investment Partnership and National Housing Trust Fund programs. Development resources include 201-H, environmental assessment and general excise tax exemptions. In combination, these programs support the development of over 2,000 units annually. The State is also empowered to raise and use funds through the issuance of revenue bonds via the HMMF Bond Program. All bonds issued by HHFDC are special obligations of HHFDC and do not impact the debt limit of the State, nor do the bonds constitute general obligations of the State. Homeownership programs are also available at HHFDC to assist with downpayment assistance and first-time homeowner mortgages.

Housing Initiatives. The Governor of the State of Hawaii has signed multiple emergency proclamations to tackle the housing crisis in Hawaii. The first proclamation was signed in July 2023 and followed by subsequent proclamations aimed at prioritizing affordable housing projects.

The proclamations are designed to break down barriers that hinder housing development, including regulatory obstacles and lengthy permitting processes. This includes the establishment of the Build Beyond Barriers Working Group, which focuses on accelerating affordable housing projects through stakeholder collaboration. The proclamations encourage collaboration among state and county agencies, developers, and community stakeholders to create sustainable housing solutions.

In 2025, the Hawaii State Legislature appropriated over \$300,000,000 for HHFDC administered programs along with initiatives in support of bond recycling, nonprofit community development financial institutions, government employee housing, mixed-income affordable housing, transit-oriented development and streamlining of the governmental review process. These initiatives contribute to the ongoing mission of increasing the supply of affordable housing in Hawaii.

CERTAIN INVESTMENT CONSIDERATIONS

General

There are important investment considerations associated with the purchase of the Bonds, and there can be no assurance of continued marketability of the Bonds at current price levels. Various factors affect the market value of municipal securities, including the Bonds, over most of which the State has no control, such as general economic conditions, inflation, pandemics, civil unrest, matters involving public safety, international developments, federal economic policies, interest rate trends and proposed or actual changes to the Internal Revenue Code of 1986, as amended. State finances, future State legislative actions and bond ratings may also affect the market value of the Bonds. Any one or more of such considerations, and others, could lead to a decrease in the market value and/or the liquidity of the Bonds. The foregoing and the following is not meant to be an exhaustive list, nor is it intended to reflect the relative importance of various risks, and no assurance can be given regarding risks that may become material in the future. Potential purchasers of the Bonds are advised to consider such factors, among others, and to review all of the information in this Official Statement.

Cybersecurity

Information technology systems, including those operated or utilized by the State, may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins or similar unintentional events or deliberate actions which can result in the unintended release and distribution of private or confidential data or other information or misappropriation of assets. As a recipient and provider of personal, private, or sensitive information, the State has been the target of cybersecurity attacks in the past and such incidents are likely to occur in the future.

One recent cybersecurity incident involved unauthorized access to the Department of Health's Electronic Death Registry System (EDRS), pursuant to which incident the State estimates that 3,400 death records between 1998 and 2023 may have been viewed. The University of Hawaii Cancer Center and Hawaii Community College have also experienced recent cybersecurity attacks. Both of these were localized to only their operations and did not affect the rest of the University. Additional information regarding the University of Hawaii Cancer Center incident can be found here: https://www.hawaii.edu/govrel/docs/reports/2026/hrs487n-4_2026_cancer-center-exposure_report_508.pdf (documents and other information available at such website or linked therefrom are expressly not incorporated herein by this reference). Additionally, on October 4, 2024, the Hawaii Judiciary discovered that Judiciary employees' personal data had been breached. Upon investigation, it appeared that a Judiciary staff person was victimized by a phishing email communication. That employee's email inbox contained payroll documents that included Judiciary employees' names, addresses, birth dates and social security numbers. Bank account information was not breached. The breach was contained as soon as it was discovered and immediate measures were taken to ensure no further security breaches of confidential information by the method used. Upon discovery of the breach, Judiciary employees were immediately notified and provided information as to recommended action, such as placing fraud alerts with the three available credit bureaus.

While the foregoing incidents do not appear to have had a material adverse impact on the State, there can be no assurance that the State will not become the subject of a cybersecurity breach that could result in adverse consequences to the State's information technology systems and require a response action to mitigate the consequences. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or "cyberattacks," the State invests in multiple forms of cybersecurity and operational safeguards. The State has an Office of Enterprise Technology Services ("ETS") within DAGS, which provides governance for executive branch information technology projects and supports the

management and operation of computer and telecommunication services to State agencies, including programs in fulfillment of statutorily mandated cybersecurity duties outlined under Hawaii Revised Statutes. ETS is led by the Governor-appointed Chief Information Officer (“CIO”) of the State. Pursuant to Act 140 (2024), the CIO reports directly to the State Comptroller to provide enhanced financial oversight and streamline technology operations. The CIO is advised by an eleven-member steering committee appointed by the Governor, Chief Justice, Senate President and Speaker of the House of Representatives. The Chief Information Security Officer reports to the Chief Information Officer and is responsible for establishing cybersecurity standards for the State executive branch and ensuring that system operations stay current with best practices.

The State’s information technology infrastructure may also be vulnerable to forces of nature. In many locations across the State, critical technology infrastructure, such as extensive aerial and underground network backbones, support facilities, and microwave radio towers, are susceptible to damage from extreme weather and climate-related events. Other infrastructure, such as computer servers, storage, network connections, electrical power and cooling equipment located below the ground water table in some locations, are vulnerable to storm flooding and water backups. See “RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS,” below. To mitigate vulnerabilities related to physical infrastructure and climate events, ETS is executing a multi-phased modernization to transition core infrastructure and shared services. Under this initiative, several core services have been successfully migrated to remote cloud computing environments, while other workloads remain in active transition. Simultaneously, ETS is engaged in the continued planning and assessment of remaining systems to ensure a phased migration into modernized, resilient environments.

While State cybersecurity and operational safeguards are periodically tested, no assurances can be given by the State that such measures will provide complete protection from other cybersecurity threats and attacks. Cybersecurity breaches could damage the State’s information technology systems and cause material disruption to the State’s operations and the provision of State services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the State to material litigation and other legal risks, which could cause the State to incur material costs related to such legal claims or proceedings.

Infectious Disease Outbreaks

The financial condition of the State, including the State’s ability to collect tax and other sources of revenue, may be materially affected by an international, national or localized outbreak of an infectious disease such as COVID-19 or other highly contagious or epidemic disease. Tax and other revenue receipts of the State may also be materially adversely affected by governmental policies that may be adopted to curb such an outbreak, in each case on an international, domestic or local level. There can be no assurance that such an outbreak will not materially affect the regional economy of the State or the national or global economies and, accordingly, materially adversely affect the receipt of revenues by the State.

State Income Tax Reform

Act 46, SLH 2024, the largest tax cut in the State’s history, was enacted in June 2024. The changes significantly reduce individual income tax liability in the State, making incremental changes to the standard deduction beginning with the 2024 tax year (from \$4,400/\$2,200 for married filing jointly and single/married filing separately, respectively under existing law, to \$24,000/\$12,000 by 2031) and incrementally shifting tax brackets in 2025, 2027 and 2029. In January 2026, Governor Dr. Josh Green proposed an indefinite pause to the changes made by Act 46, SLH 2024, which are scheduled to go into effect in 2027 and thereafter to offset reductions in revenues forecasted by the Council on Revenues (which forecasts assume that the changes made by Act 46 will go into effect as currently scheduled). The changes

proposed by the Governor would require legislative action, and House Bill 2306 and Senate Bill 3125 have been introduced in the current session of the Legislature to effect the changes. No assurance can be given, however, that such bills will ultimately be enacted at all or in their current forms. Notwithstanding the possibility that such bills may not be enacted, the State’s current general fund financial plan incorporates such a pause into its assumptions. See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund—*Income Taxes*—2024 Income Tax Reform,” above, and “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Introduction” and “—General Fund Financial Plan” in Part I of Appendix B.

Federal Funding Risks

Federal policies on the federal debt ceiling, foreign trade and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in dramatic shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding. Throughout 2025, federal funds were withheld (or were the subject of threats to withhold) from various state recipients based on policy changes implemented via presidential executive orders and administrative directives. Some of these executive orders and directives have been the subject of federal court injunctions. In fiscal year 2026, reductions in federal funding, particularly with respect to social programs such as Medicaid and SNAP, have reduced total federal funding to the State by an estimated \$80 million from the amount budgeted by the State. For fiscal year 2027, the State expects to be able to accommodate such reductions, but has not yet addressed such reductions for later fiscal years. DBEBT is currently studying potential impacts of such potential future reductions. The State cannot predict with certainty any future changes in federal policy or the potential impact (positive or negative) on any federal funding the State may receive in the future, but currently expects the current heightened level of uncertainty to continue over the next several years.

Additionally, a number of federal government shutdowns have occurred in the recent past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the State including impact on travel and tourism and the State’s receipt of revenues from federal sources, and could also have indirect impacts due to a shutdown’s effect on general economic conditions. The State has not experienced material adverse impacts from the federal government shutdowns that have occurred in the past, but the State can make no assurances that it will not be materially adversely affected by any current or future shutdown of the federal government.

RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS

General

The foreseeable impacts of rising sea levels and other climate change challenges are priorities for Hawaii due to its geographic isolation, coastal-focused society, and observable present-day impacts from coastal erosion and flooding. Hawaii’s vulnerability to climate change and sea level rise is described in the Hawaii Climate Change Mitigation and Adaptation Commission’s (the “Climate Commission”) 2017 Hawaii Sea Level Rise and Vulnerability and Adaptation Report (as updated in 2022, the “Hawaii Sea Level Rise Report”), the 2018 National Climate Assessment, Sea Level Rise Guidance from the City and County of Honolulu Climate Change Commission, and elsewhere.

Among other findings, the Hawaii Sea Level Rise Report includes descriptions of the anticipated Sea Level Rise Exposure Areas that would be impacted by 1.0, 2.0 and 3.2 feet of sea level rise, and estimates of impacts on private property in the State and on the State’s public infrastructure. The Hawaii

Sea Level Rise Report predicted that if the State's Sea levels were to rise 3.2 feet (one meter), over 25,800 acres of coastal and low lying land, one third of which is designated for urban use, and 38 miles of coastal roads in the Sea Level Rise Exposure Areas would be chronically flooded, and an estimated \$19 billion of economic loss would result. While the original 2017 report characterized this degree of sea level rise by 2100 as a "high side" estimate, the 2022 update recharacterized it as a "mid-range" estimate. The Hawaii Sea Level Rise Report also contains recommendations for reducing the impacts of sea level rise, erosion, and wave inundation.

In addition, modeling reported by the United Nations' Intergovernmental Panel on Climate Change in its 5th and 6th Assessment Reports and supporting research project that under a high-end emissions scenario, global mean sea level will rise approximately one meter, relative to year 2000 levels, by the end of the century.

Scientists have also observed, documented and predicted that a warming planet will increase the frequency and severity of natural disasters, including droughts, hurricanes and volcanic activity (attributed to changing pressure on the earth's crust from melting ice and increasing sea levels). The Sixth Assessment of the Intergovernmental Panel on Climate Change found in 2023 that "adverse impacts of human-caused climate change will continue to intensify."

In 2025, the Trump administration launched a major deregulation campaign at the EPA, targeting climate rules regarding air pollution standards and staffing, relaxing vehicle emission standards, overturning the Clean Power Plan, and exempting numerous chemical plants and manufacturers from stricter air pollution rules, specifically regarding ethylene oxide. Further, on February 12, 2026, the Trump administration rescinded the EPA's 2009 Endangerment Finding, which had declared, based on years of evidence that greenhouse gas emissions endanger public health and welfare. Such rescission may serve to accelerate climate change by removing caps on carbon dioxide emissions.

Certain Climate-Related Events and other Natural Disasters

Climate change produces both sea level rise and unpredictable weather patterns fueling tropical storms, hurricanes, storm surges, heavy rains, high winds, and floods, as well as droughts and wildfires. Below is a discussion of several climate-related events that have impacted the State within the last few years. Other natural disasters may also have a material impact on the state, including volcanic activity (primarily impacting the southeast portion of the island of Hawaii, although impacts to air quality from volcanic activity can, depending on wind conditions, impact other areas of the state), earthquakes, and tsunamis. Below is a discussion of several climate-related events and other natural disasters that have impacted the State within the last ten years.

On August 8, 2023, a series of wildfires broke out on the island of Maui causing widespread damage in the town of Lahaina, located in the area of West Maui. The wildfires resulted in 102 known fatalities, and caused an estimated \$5 billion in damage, including the destruction of over 2,000 residential homes, and displaced over 8,000 residents. The wildfires impacted approximately 700 business establishments, resulting in an immediate loss of approximately 10,000 jobs, equating to approximately \$2.9 million in lost household income per day.

In the time since the fires, State, federal and local agencies, including the Federal Emergency Management Agency and the County of Maui, have coordinated the recovery, planning and rebuilding process, including provision of financial and other assistance and support to displaced residents, debris clearing in residential and commercial areas, restoration of infrastructure, and establishment of temporary and long-term housing and educational facilities. The wildfires negatively impacted the State's economy, including tourism. Nonessential travel to affected areas in West Maui was initially restricted in the

immediate aftermath of the wildfires, but by November 1, 2023, all of West Maui except for the disaster area in Lahaina was reopened to the public, including tourists. For additional information, see “GENERAL ECONOMIC INFORMATION—Tourism” in Appendix A, “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS” in Part I of Appendix B and “Appendix E—PENDING LITIGATION—Maui Wildfires,” and elsewhere throughout this Official Statement.

In addition to the 2023 Maui wildfires, other significant climate-related events within the State include Hurricane Lane in August 2018. In the wake of Hurricane Lane, wildfires on both Maui and Oahu were ignited and spread quickly due to the prevalence of nonnative grasses in longer wet periods that quickly dehydrate during dry periods. Extremely high downslope winds caused a rapid spread of wildfires under those conditions, especially on exposed leeward slopes. Hurricane Lane also caused severe mudslides and flash flooding on the Island of Hawaii, where a maximum of 52 inches (1,321 mm) of rain was recorded. Additionally, the May 2018 lower Puna eruption of Kīlauea volcano located on the Island of Hawaii resulted in the destruction of over 700 homes, the evacuation of approximately 2,000 residents, temporary highway blockages and other adverse disruptions. Record 24-hour rainfall on Kauai in that same year and in 2021 caused a community to be cut off for months.

Most recently, a significant weather event known as a “Kona Low” (usually occurring in winter, characterized by southwesterly or southerly winds rather than the customary northeasterly trade winds) passed over most of the State in mid-March, bringing the State’s worst flooding in two decades. The islands of Oahu, Maui and Molokai were most impacted, with the flooding causing landslides, extended power outages and emergency evacuations. The event caused significant damage to homes, business, highways, streets, power lines and other infrastructure. According to the State, initial damage assessments indicate public and private losses exceeding \$1 billion dollars as a result of this weather event. The State has requested a Major Disaster Declaration from the federal government to support statewide recovery efforts. The State is in the process of assessing the financial impact of the economic recovery. See “APPENDIX A-Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund-Emergency and Budget Reserve Fund.

In addition to the direct impact on health and safety and property damage in the State, these climate events and future similar climate events may impact the quality of life in the State and may have short-term and future impacts on commercial and tourist activity within the State, as well as the desirability of the State as a place to live, potentially negatively affecting real estate trends and values.

Projections of the effects of global climate change on the State are complex and depend on many factors that are outside of the State’s control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the State is unable to forecast when sea level rise or other adverse effects of climate change will occur. The State cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the State and the local economy during the term of the Bonds.

State Actions to Address Climate Change

Hawaii’s geographic isolation and coastal-focused society accentuate the need for affirmative action to address climate change, both by adapting to a changing climate and mitigating human-made causes.

The Hawaii 2050 Sustainability Plan (the “Sustainability Plan”) is a long-term vision and strategy for the State to address the challenges of global warming, climate change, and sustainable development. It was first published in 2008 by the State Auditor and the Hawaii 2050 Sustainability Task Force, and it was recently updated in 2021 by the State of Hawaii Office of Planning and Sustainable Development. The Sustainability Plan aligns the State’s goals, policies, and actions with the United Nations Sustainable Development Goals, and recommends specific actions for the decade of 2020-2030, including greenhouse gas reductions and improved climate resiliency. The Sustainability Plan, intended to be reviewed and revised periodically, covers five key areas: climate action and resilience, natural environment, rural livelihoods and traditional and customary practices, social stability and human health, and urban communities and the built environment.

For mitigation in the transportation sector, the State is converting its vehicle fleets to decarbonized fuels as required by Act 74 of 2021. Under this umbrella of activities, Hawaii Department of Transportation (“HDOT”) obtained an “electric vehicles-as-a-service” contract to replace light duty vehicles in its fleet with electric vehicles (“EVs”). The contract allows HDOT and other State and county agencies to obtain EVs and charging infrastructure as a service on a per mile cost basis, reducing the upfront costs of electrifying fleet vehicles and reducing fuel and maintenance costs. The Statewide Hawaii fleet electrification contract is now active. This contract allows all participating agencies and departments to obtain electric vehicles and all related charging infrastructure in exchange for usage fees.

HDOT released The Hawaii Highways Climate Adaptation Action Plan in May 2021 to help better define the impacts of climate change on National Highway System property and serve as a guide for making the highways more climate resilient.

In June 2022, a claim was brought against HDOT seeking to reduce greenhouse gas emissions and decarbonize the transportation sector in the State, in reliance upon the State’s constitutional public trust doctrine, which requires the State and its political subdivisions to conserve and protect the State’s environment and natural resources. In June 2024 the parties announced a settlement of the case, *Navahine v. Hawaii Department of Transportation* (the “Navahine Settlement”), under which the State committed to implementing specific plans and programs to decarbonize the transportation system and reduce greenhouse gas emissions and fossil fuel dependence, including developing a greenhouse gas reduction plan within one year of the agreement to decarbonize the State’s transportation system by 2045, and making investments in clean transportation infrastructure, including dedicating at least \$40 million to expanding the public electric vehicle charging network by 2030.

HDOT is working toward a comprehensive multi-modal transportation strategy to achieve zero emissions across all sectors (land, air, and sea) by 2045, with a 50% reduction from 2005 levels by 2030. This initiative, driven by the Energy Security and Waste Reduction Plan finalized in October 2025 and the Navahine Settlement, focuses on transitioning to renewable energy and reducing reliance on fossil fuels.

The Hawaii Clean Energy Initiative is a framework of statutes and regulations supported by a diverse group of stakeholders committed to clean energy in the State. The initiative was launched in 2008 when the State and the U.S. Department of Energy entered into a memorandum of understanding to collaborate on the reduction of Hawaii’s dependence on imported fossil fuels. At that time, the State estimated that 60 to 70% of future energy needs could be fulfilled by local, clean, renewable energy sources, including energy efficiency.

For mitigation in the electricity sector, the State enacted HB 1464 in 2009, setting the country’s most aggressive Renewable Portfolio Standard (“RPS”) of 40% renewable energy by 2030. In 2015, Act 97 increased the RPS to 100% renewable by 2045, with the State again leading the nation in eliminating climate pollution from the electricity sector. At the close of 2025, approximately 36% of electricity

produced in the State came from renewable sources. Despite this progress in renewable energy integration, in 2025, 90% of the State's energy across all sectors, continues to be sourced from imported fuel oil, primarily low-sulfur fuel oil, jet fuel and diesel.

For adaptation and mitigation activities across the energy sector, the Hawaii State Energy Office ("HSEO"), administratively attached to the Department of Business, Economic Development, and Tourism, is statutorily mandated to promote energy efficiency, renewable energy, and clean transportation to achieve a resilient clean energy economy. HSEO is led by the Chief Energy Officer of the State, appointed by the Governor with the advice and consent of the State Senate. HSEO coordinates the overall transition of the State economy from fossil fuels to renewable energy, and produced the first report on statewide decarbonization strategies pursuant to Act 238 (2022) in January 2024.

In the aftermath of the 2023 Maui wildfires, Governor Dr. Josh Green tasked HSEO with reducing costs, reducing carbon and increasing investment in energy infrastructure, upgrading a substantial portion of the thermal capacity on Oahu, replacing aging plants with high-efficiency power plants and grid upgrades, and employing resilience strategies to protect critical infrastructure from climate change events, including blackouts and energy shortfalls. Additionally, the Governor issued Executive Order 25-01 to accelerate the timeline for renewable development for neighboring island communities to reach a 100% RPS by 2035, a decade earlier than statute, with a statewide target of 50,000 distributed renewable energy installations by 2030.

HSEO published the Alternative Fuels, Repowering and Energy Transition study in January 2025, establishing a viable pathway to meet Hawaii's 2030 targets, eliminating oil price volatility and reducing carbon emissions by 38-44%, by switching from LSFO to natural gas as a bridge fuel. In October 2025, Hawaii signed a Strategic Partnering Agreement with JERA, Japan's largest power producer, facilitating billions of dollars of private sector investment to upgrade power plants and modernize the State's aging and inefficient power grid.

HSEO works with a variety of stakeholders to inform policies on mitigation and adaptation in energy use, including without limitation the use of low carbon intensity fuels in aviation, the deployment of alternative fuel vehicles and related fueling infrastructure, the deployment of renewable energy generation and storage technologies, and reducing the embodied carbon of the built environment.

HSEO is the energy resilience lead for planning and coordinating energy-related emergency response operations and assessing hazards to the State's existing critical energy infrastructure. HSEO, in coordination with the Hawaii Emergency Management Agency ("HiEMA"), is undertaking a FEMA-funded Advance Assistance grant to assess vulnerabilities in critical energy supply infrastructure, which will allow the State to prioritize energy supply resilience investments. HSEO is also coordinating community-based resilience hub planning and implementation, with the first such hub being selected by FEMA for funding in 2024.

In 2025, HSEO commenced a statewide system risk assessment to identify specific resilience and/or mitigation projects for the islands of Maui, Hawaii and Kauai, launching the Hawaii Energy Task Force in partnership with HiEMA and all major fuel, power and gas providers, unifying government and energy stakeholders around a shared mission to safeguard Hawaii's energy systems and community lifelines.

For coordination on climate adaptation and mitigation across State agencies, the Climate Change Commission was created in 2017 by Act 32. This legislation also marked Hawaii as the first state to enact legislation to mitigate and adapt to climate change in accordance with the Paris Agreement and formed and tasked the Climate Commission. The Climate Commission has undertaken two Climate Action Plans, the

Priority Climate Action Plan, which was released in March 2024, and the Comprehensive Climate Action Plan (also referred to as “Climate Action Pathways 2025”), delivered in the December 2025. These action plans are intended to inform and prioritize State actions on adaptation and mitigation across a range of economic sectors. The Climate Commission is administratively based at the State Department of Land and Natural Resources, and jointly co-chaired by the Chairperson of the State Board of Land and Natural Resources and the Director of the State Office of Planning and Sustainable Development.

The Climate Commission maintains a catalogue of climate-related legislation dating back to 2018. It covers a range of topics including climate-related real estate disclosures, State funding for EVs, and adaptation planning for State-owned facilities.

In May 2024, the Governor announced the formation of a climate advisory team comprised of unpaid volunteers charged with developing policies and strategies and making recommendations to mitigate the financial impact of climate change on the State and taking a role in drafting climate-resilience and disaster recovery policies, drawing from ideas of the Governor’s administration, experts in climate science, business and finance, and legal professionals, with an emphasis on identifying long-term, sustainable climate financing and initiatives. As one of its initial projects, the advisory team has been tasked with evaluating funding sources and recommending steps to create a fund to mitigate the impacts of climate change and to develop a fair and comprehensive structure for claim settlement that may arise from future climate-related disasters, with the stabilization of the insurance market and defraying financial burdens of climate change being among the primary objectives. In January 2026, the State enacted the world’s first “Green Fee,” a measure established by Act 96, SLH 2025, increasing the Transient Accommodations Tax (TAT) by 0.75%, with revenues dedicated to climate resilience, beach restoration and environmental protection, anticipated to generate approximately \$90 million annually. See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund—*Transient Occupation Tax*” in Appendix A.

In the wake of the 2023 Maui wildfires, the University of Hawaii is working to develop a wildfire forecast system, supported by a \$1-million grant from the State legislature, with the objective of providing authorities with the information needed to provide warnings and take various protective measures such as evacuation planning and home-risk mitigation. Additionally, in 2024 the State Legislature enacted legislation re-establishing the position of State Fire Marshal, an office that had been eliminated in 1979 and replaced by a State Fire Council comprised of uncompensated members. In June 2025, Governor Green announced the appointment of Dori Booth as the new State Fire Marshal, reviving a critical public safety position that had been vacant for nearly 46 years. In 2025, HSEO initiated a statewide energy supply chain mapping initiative, tracing all energy imported and produced in Hawaii to FEMA community lifeline facilities dependent on the energy system.

While the effects of climate change may be mitigated by the State’s past and future investment in adaptation strategies, the State can give no assurance about the net effects of those strategies and whether the State will be required to take additional adaptive mitigation measures. HSEO’s statutory role to help achieve a resilient, clean economy continues to grow in response to energy security threats including geopolitical conflicts, extreme weather, aging infrastructure and supply chain disruptions.

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APPENDIX B

FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

**PART I
SELECTED FINANCIAL INFORMATION**

The statistical information presented by this Part I of Appendix B is the most current such information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INFORMATION ABOUT INDEBTEDNESS

The following Tables B-1 to B-3 set forth the State’s total indebtedness as of July 1, 2025, including reimbursable general obligation bonds excludable for the purposes of calculating the constitutional debt limit. See “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in Appendix A.

**TABLE B-1
Summary of Total Indebtedness of the State of Hawaii
General Obligation Bond Indebtedness
As of July 1, 2025**

General obligation bonds outstanding.....		\$8,674,372,832
Less excludable reimbursable general obligation bonds ¹		
Harbors.....	\$ 5,153,959	
Land and Natural Resources	<u>23,425,000</u>	
Subtotal excludable reimbursable general obligation bonds.....	28,578,959	
Less all general obligation bonds maturing in the current year.....	\$773,695,807	
		<u>802,274,766</u>
Net general obligation bonds outstanding:		<u>\$7,872,098,066</u>

¹ See “DEBT STRUCTURE—Exclusions” and “—Reimbursement to State General Fund for Debt Service” in Appendix A for exclusions and sources of reimbursement.

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TABLE B-2
Revenue Bond Indebtedness ¹
As of July 1, 2025

Revenue bonds outstanding:

Airports:		
Airports system.....	\$2,238,560,000	
Airports special facility	<u>370,035,000</u>	\$2,608,595,000
Housing:		
Single family mortgage purchase	2,613,395	
Multifamily.....	<u>878,675,134</u>	881,288,529
Harbors.....		288,405,000
Highways ²		422,155,000
University of Hawaii.....		373,460,000
Hawaiian Homelands		17,210,000
Hawaii Health Systems Corporation (Maui Regional Health Care System).....		14,733,462
Department of Business, Economic Development and Tourism		<u>43,375,451</u>
 Total revenue bonds outstanding:		 <u><u>\$4,649,222,442</u></u>

¹ All revenue indebtedness is payable solely from the revenues derived from rates, rentals, fees and charges except for the revenue bonds issued for the airports system, which are payable from both the revenues of the airports system derived from rates, rentals, fees and charges and from the aviation fuel tax, and except for a portion of the revenue bonds issued for the University of Hawaii, which is payable from both the revenues of the University derived from tuition, fees and charges and from tobacco settlement funds.

² The State expects to issue Highway Revenue Bonds in the approximate principal amount of \$447,120,000 at approximately the same time as the issuance of the Bonds.

TABLE B-3
Special Purpose Revenue Bond Indebtedness ¹
As of July 1, 2025

Special Purpose Revenue Bonds outstanding:

Health care facilities.....	\$ 861,566,646
Utilities serving the general public.....	495,000,000
Not for profit secondary schools, colleges and university serving the general public	<u>94,170,000</u>
Total Special Purpose Revenue Bonds Outstanding	<u><u>\$1,450,736,646</u></u>

¹ All special purpose revenue indebtedness is payable solely from receipts derived from payments by special purpose entities or persons under contract or from any security for such contract or special purpose revenue bonds.

As of March 1, 2026, and not taking into account the anticipated issuance of the Bonds, the State had a total of \$7,949,952,085.27 of general obligation bonds outstanding. See “Appendix D—GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII.”

The following Table B-4 presents a summary of the calculation of the State’s constitutional debt limit as of July 1, 2025. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation indebtedness as of July 1, 2025, after exclusions permitted by the Constitution, was \$1,068,359,582 in the fiscal year ending June 30, 2026, which was within the July 1, 2025 debt limit of \$1,977,926,629.

TABLE B-4
Summary Statement of the Debt Limit of the State of Hawaii
NET GENERAL FUND REVENUES FOR THE STATE OF HAWAII
FOR THE PRECEDING THREE FISCAL YEARS

	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Total General Fund revenues exclusive of grants from the federal government	\$10,192,211,129	\$10,635,678,258	\$11,266,851,947
Less:			
Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies	<u>8,430,391</u>	<u>5,911,947</u>	<u>5,913,125</u>
Net General Fund revenues	<u>\$10,183,780,738</u>	<u>\$10,629,766,311</u>	<u>\$11,260,938,822</u>
Sum of net General Fund revenues for preceding three fiscal years	\$32,074,485,871		
Average of preceding three fiscal years	\$10,691,495,290		
18.5% of average net General Fund revenues of the three preceding years ended June 30, 2023, 2024 and 2025	\$ 1,977,926,629		

NOTE: This Summary Statement is based on the July 1, 2025 statement of indebtedness. See “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in Appendix A.

The July 1, 2025 statement is the most recent such statement prepared and submitted to the Legislature. For a description of the applicable debt limit provisions, see “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in Appendix A.

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The following Table B-5 sets forth a summary of the general obligation bonds outstanding as of July 1, 2025.

TABLE B-5
General Obligation Bonds Outstanding
As of July 1, 2025

	Principal Amount	Balance	% of Total
Reimbursable General Obligation Bonds ¹			
From State Special Funds for			
Commercial Harbors	\$ 5,153,959		
Small Boat Harbors ²	221,351		
Waiahole Water System ²	3,430,162		
Land and Natural Resources	<u>\$ 23,425,000</u>		
Total for Special Funds	\$ 32,230,472		
Total Reimbursable General Obligation Bonds		\$ 32,230,472	0.37%
Non-Reimbursable General Obligation Bonds from State General Funds for various purposes....	<u>\$8,342,142,360</u>		
Total Non-Reimbursable General Obligation Bonds		<u>\$8,342,142,360</u>	<u>96.17%</u>
Total General Obligation Bonds Issued and Outstanding		<u>\$8,674,372,832</u>	<u>100.00%</u>

¹ See "DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service" in Appendix A concerning sources of reimbursement, including taxes. The figures in this Table B-5 should not be taken as an indication that in all instances the reimbursement to the General Fund will in fact be made or that such reimbursement will be made in whole.

² Not excludable for debt limit purposes.

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The following Table B-6 sets forth a summary of the debt service payable on all outstanding general obligation bonded indebtedness of the State of Hawaii as of March 1, 2026 but also including debt service payable on the Bonds as of the expected date of delivery thereof. Further detail concerning the State’s various outstanding general obligation indebtedness is set forth in Appendix D hereto.

TABLE B-6
Summary of Debt Service ¹
As of March 1, 2026
(Amounts in dollars)

Fiscal Year Ending June 30	Total Remaining Principal Amount ²	Total Principal Payable	Total Interest Payable	Total Debt Service Payable	Less Amounts Reimbursable to General Fund ³	Debt Service on Series GO/GP/GQ		Net Debt Service Payable ⁴
						Total Principal Payable	Total Interest Payable	
2026	\$ 7,949,952,085.27	\$ 54,225,000.00	\$ 105,041,840.31	\$ 159,266,840.31	\$ 1,921,316.52			
2027	7,895,727,085.27	644,651,178.14	293,568,962.27	938,220,140.41	4,244,202.70			
2028	7,251,075,907.13	641,974,106.88	269,585,859.46	911,559,966.34	3,898,978.25			
2029	6,609,101,800.25	633,769,815.25	245,776,069.13	879,545,884.38	2,958,624.60			
2030	5,975,331,985.00	610,132,126.14	222,766,592.87	832,898,719.01	2,963,813.41			
2031	5,365,199,858.86	585,628,918.66	199,821,338.38	785,450,257.04	2,960,893.13			
2032	4,779,570,940.20	607,092,152.13	178,284,275.30	785,376,427.43	2,963,364.33			
2033	4,172,478,788.07	556,113,855.90	158,003,037.74	714,116,893.64	2,962,231.88			
2034	3,616,364,932.17	535,354,932.17	139,011,789.84	674,366,722.01	2,865,933.61			
2035	3,081,010,000.00	499,860,000.00	120,015,529.58	619,875,529.58	2,751,704.96			
2036	2,581,150,000.00	464,895,000.00	101,899,052.12	566,794,052.12	2,533,575.00			
2037	2,116,255,000.00	425,225,000.00	83,821,714.64	509,046,714.64	--			
2038	1,691,030,000.00	364,525,000.00	67,190,781.94	431,715,781.94	--			
2039	1,326,505,000.00	324,875,000.00	51,886,427.42	376,761,427.42	--			
2040	1,001,630,000.00	300,840,000.00	38,395,294.02	339,235,294.02	--			
2041	700,790,000.00	313,310,000.00	25,926,135.29	339,236,135.29	--			
2042	387,480,000.00	222,470,000.00	14,060,272.86	236,530,272.86	--			
2043	165,010,000.00	109,440,000.00	5,716,936.68	115,156,936.68	--			
2044	55,570,000.00	55,570,000.00	1,419,535.65	56,989,535.65	--			
Total	\$66,721,233,382.22	\$7,949,952,085.27	\$2,322,191,445.50	\$10,272,143,530.77	\$33,024,638.39			

¹ Totals reflect rounding.

² Remaining principal amount, as of commencement of fiscal year, of all general obligation bonded indebtedness of the State that was outstanding as of March 1, 2026.

³ These figures show debt service on outstanding general obligation bonds of the State issued for certain activities, undertakings, improvements and systems of the State where the payment of such debt service from the General Fund is required by statute to be reimbursed to the General Fund from the respective income, revenues or user taxes pertaining to the particular activity, undertaking, improvement or system and regardless of whether excludable under the provisions of the Constitution when determining the power of the State to incur indebtedness. Consequently, the amount of reimbursement to the General Fund in Table B-6 above is greater than the excludable reimbursement under the Constitution. For example, of the \$1,921,316.52 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2026, only \$1,498,596.10 is an excludable reimbursement for purposes of the debt limit calculation under the Constitution. See “DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service” in Appendix A for the sources of reimbursement, including taxes.

⁴ Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of March 1, 2026, plus debt service on the Bonds as of their expected date of delivery.

The following Table B-7 sets forth a summary of the bonded debt per capita for fiscal years 2021 through 2025.

TABLE B-7
Bonded Debt Per Capita
 (“Debt Per Capita” in dollars; other amounts in thousands of dollars)

Fiscal Year	Population ¹	General Obligation Bonded Debt ^{2,3}	Less Debt Service Moneys Available ²	Net General Obligation Bonded Debt	Net General Obligation Bonded Debt Per Capita
2021	1,455	\$8,886,693	\$247	\$8,886,446	\$6,108
2022	1,435	9,055,177	272	9,054,905	6,310
2023	1,436	9,035,659	257	9,035,402	6,292
2024	1,432	8,962,685	72	8,962,613	6,259
2025	1,445	8,893,594	72	8,893,522	6,155

¹ Source: State of Hawaii, Department of Business, Economic Development and Tourism - Census Data.

² Source: DAGS, Accounting Division.

³ Excludes Component Unit.

Certificates of Participation and Lease Purchase Agreements

Certificates of Participation. In December 2006, the State executed a Facility Lease Agreement (the “Hawaiian Homelands Lease”) related to the issuance of \$24,500,000 of Certificates of Participation (the “Hawaiian Homelands COPs”), the proceeds of which were used to construct a headquarters office and conference center building for the Department of Hawaiian Homelands in Kapolei. Each building is located on the island of Oahu. Certificates of Participation in the aggregate principal amount of \$15,125,000 were issued in August 2017 for the purpose of refunding all of the Hawaiian Homelands COPs, which are payable from the lease payments owed by the State under the Hawaiian Homelands Lease, the outstanding amount of which as of June 30, 2025, is \$8,250,000. The Hawaiian Homelands COPs (collectively, the “COPs”) are secured by rental payments payable from lawfully available funds of the State, including the State’s General Fund. The rental payments do not constitute an obligation for which the State has levied any form of taxation. The COPs do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In December 2013, the Department of Transportation entered into a lease agreement (the “DOT Lease Agreement”) in respect of the issuance of \$167,740,000 certificates of participation related to an energy savings contract (the “DOT Energy Savings Contract”) for the Airports System in fiscal year 2014. The DOT Lease Agreement was amended in April 2016 upon the issuance of \$8,056,521 in additional certificates of participation, and amended again in March 2017 upon the issuance of \$51,473,427 additional certificates of participation, in each case related to the design and installation of additional equipment pursuant to the DOT Energy Savings Contract. Rental payments under COPs issued by the Department of Transportation are secured by Airports System Revenues, subject to annual appropriation by the Legislature, and do not constitute an obligation payable from the State’s General Fund revenues.

Lease Purchase Agreements. The State, by and through various departments, agencies and divisions of the State, from time to time enters into lease purchase agreements relating to equipment. Certain of these lease purchase agreement transactions are described below. In September 2009, April 2011 and September 2013, the State, by DAGS and the Department of Public Safety, entered into Equipment Lease Purchase Agreements (the “Equipment Leases”) with an aggregate principal component of

\$54,723,668. The State directly placed the Equipment Leases with the respective lessors. The principal components of the Equipment Leases amortize over periods that may not exceed 20 years, with the final payment coming due in September 2033. The State is using the Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts for numerous State-owned buildings and structures. The lease payments under the Equipment Leases are payable from lawfully available funds of the State, including the State's General Fund, but do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In July 2015 and September 2015, the State, acting through the Department of Transportation Highways Division and Harbors Division, entered into Equipment Lease Purchase Agreements (the "DOT Equipment Leases") with an aggregate principal component of \$86,531,655. The principal components of the DOT Equipment Leases amortize over periods that may not exceed 20 years, with the final payments coming due in 2032. The State is using the DOT Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts at facilities and property of the Department of Transportation Highways Division and Harbors Division. The lease payments under the DOT Equipment Leases are payable solely from revenues of the Department of Transportation Highways Division and Harbors Division, as applicable, and do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the DOT Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

NO OBLIGATIONS SUBJECT TO MANDATORY PURCHASE OR ACCELERATION

The State currently has no outstanding variable rate obligations subject to purchase by the State upon an event of default and no direct bank loans or other obligations subject to acceleration upon an event of default which are, in either case, secured or otherwise supported by the General Fund. The State could in the future incur such obligations under certain circumstances, and such obligations may under certain circumstances be subject to payment in full, prior to the payment of the Bonds.

INVESTMENT OF STATE FUNDS

Cash Management Program Policy

The objectives of the investment policies of the State's cash management program are: (a) Safety: To safeguard State funds and require full collateralization of State deposits; (b) Liquidity: To ensure the availability of funds to meet State expenditures by the timely forecasting of cash requirements and the selection of securities that can be promptly converted into cash with a minimum risk of principal; and (c) Yield: To attain a market rate of return on State investments throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs, subject to tax exemption and other legal considerations.

Securities in Which State Funds May Be Invested

The General Fund, the various Special Funds and other funds are held in the State Treasury. The moneys held in the State Treasury, which in the judgment of the Director of Finance are in excess of the amounts necessary to meet the immediate requirements of the State, are invested in securities authorized in Section 36-21, HRS. The securities in which State funds may currently be invested include the following: (a) U.S. Treasury obligations, including Treasury bills, notes and bonds for which the full faith and credit of the United States are pledged for the payment of principal and interest; (b) certain U.S. Government

Sponsored Enterprises (“GSE”) and Agency securities; (c) time certificates of deposit in federally insured financial institutions; (d) interest bearing accounts with federally insured financial institutions; (e) repurchase agreements with federally insured financial institutions; (f) commercial paper with at least an A1/P1 rating; (g) bankers’ acceptances with at least an A1/P1 rating; (h) money market mutual funds that are rated AA-Am-G or its equivalent by Standard & Poor’s Rating Group; and (i) money market mutual funds that invest solely in (A) obligations issued or guaranteed by the United States or an agency thereof and (B) repurchase agreements fully collateralized by any such obligations. Section 36-21, HRS, prohibits the State from investing in securities which require the State to make any swap, counter or other payments other than the original purchase price plus accrued interest.

In the investment of State funds, it is the policy of the State to give due regard to depositories doing business within the State of Hawaii. This policy takes into account the beneficial effects to the State of using local depositories. Deposits are allocated among local financial institutions based upon the yield offered on investments and their ability to fully collateralize such investments.

Safety of Public Funds

All State funds deposited with financial institutions are deemed, under State law, to be deposited in the State Treasury. Except for that portion of any deposit which is insured by an agency of the federal government, e.g., the Federal Deposit Insurance Corporation (“FDIC”), all deposits of State funds must be collateralized by the depository with securities deposited with the Director of Finance, which has market value equivalent to the lesser of the market value of the collateral based on reputable pricing sources or its par value. Margins have been established for each type of security pledged, as provided in Section 38-3, HRS.

With respect to the types of securities pledged as collateral, Section 38-3, HRS, requires such securities to be evidences of indebtedness of the State or its counties or agencies thereof, of certain county improvement districts or frontage improvement, of the United States or certain agencies thereof, State warrants or warrant notes, direct obligations of other states or cities or counties in the continental United States and other assets of the depository eligible to secure advances from the Federal Reserve Banks. The State will not accept, as collateral, derivative products or other securities that move inversely to the general level of interest rates.

The collateral pledged by depositories is monitored by the Director of Finance on a computerized system, which determines the adequacy of the amount of collateral pledged by depositories on a daily basis.

Investment Yield

Cash positions of State moneys in depositories are reviewed at the beginning of each workday. A determination is made as to the amount of moneys needed to meet payment of State obligations, e.g., payroll, debt service, vendor and contract payments. Any amounts in excess of those requirements and committed to investment on a pooled basis in accordance with Section 36-21, HRS are invested to optimize interest income to the State, with the primary objectives of safety, liquidity and yield (in that order of priority), and other legal considerations. Interest earned on moneys in the State Treasury which are requested to be invested by a special fund agency are credited to the special fund agency and is determined by cash flow requirements of the particular program and the general direction of interest rates. All investments of the State are made by the Director of Finance. The maximum length or term of an investment is five years from the date of investment pursuant to Section 36-21, HRS.

For the fiscal year ended June 30, 2025, approximately \$178.0 million was credited to the General Fund as investment earnings from the Treasury Investment Pool. The State's total investment portfolio as of June 30, 2025 had a market value of approximately \$13.7 billion and \$788 million in demand deposits. Of such amount, approximately 5% consisted of cash in bank demand deposits, approximately 0.5% was invested in bank time certificates of deposit, approximately 80% was invested in U.S. Federal Agency and Government-Sponsored Entity Securities, approximately 11% was invested in U.S. Treasury securities, and approximately 3% was invested in commercial paper. The portfolio had an effective duration of 1.06 years (excluding demand deposits) and has an estimated portfolio-weighted yield (based on estimated annualized income) of 4.36%.

SELECTED FINANCIAL STATEMENTS

The following Table B-8 is the balance sheet of the General Fund ending each June 30 from 2021 to 2025. Following thereafter in Table B-9 is the statement of revenues and expenditures of the General Fund for each such fiscal year including the statement of revenues and expenditures for each such fiscal year. See also the schedules relating to the General Fund accompanying the General Purpose Financial Statements from the State's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025, referred to in Part II of Appendix B.

As noted previously, the Maui wildfires have adversely affected the finances and financial condition of the State. See "RISKS AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS—Certain Climate-Related Events" in this Official Statement and "GENERAL ECONOMIC INFORMATION" in Appendix A to this Official Statement, and elsewhere as discussed in this Official Statement.

The data set forth in the balance sheets and other financial statements have been prepared by the Comptroller of the State. The General Fund is presented and reported using the modified accrual basis of accounting. Under such basis, revenues are recorded when collected in cash except for (a) revenues susceptible to accrual, i.e., measurable and available, and (b) revenues received prior to the period of benefit. Revenues for which receivables have been recorded (and other noncash assets generally) are fully reserved until such time as they are converted to cash.

Expenditures are recorded at the time vouchers for payments are filed with the Comptroller. At the end of a fiscal year, existing liabilities for which payment is due are vouchered and recorded as expenditures as of the end of the fiscal year. Other liabilities for which payment is not due, and obligations in the form of open purchase orders, are recorded as encumbrances at the end of a fiscal year and are not recorded as expenditures until the encumbrances are subsequently liquidated.

General fixed assets purchased or constructed are recorded initially as expenditures and are subsequently reflected at cost in the government-wide statement of Net Position. Depreciation is recorded in the government wide statement of activities (accrual basis) but not in the governmental funds (modified accrual basis).

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TABLE B-8
Balance Sheet of the General Fund of the State of Hawaii
As of June 30
(Amounts in thousands)

ASSETS:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cash	\$ 300,736	\$ 335,778	\$ 308,712	\$ 408,788	\$ 587,502
Due from other funds	220,916	165,657	137,486	184,646	256,294
Due from Component Units	6,000	6,000	6,000	6,000	6,000
Receivables:					
Taxes	595,936	123,267	352,712	407,361	397,310
Notes	1,327	1,307	1,285	13,128	13,117
Other	8,500	22,824	37,114	25,685	25,996
Total receivables	605,763	147,398	391,111	446,174	436,423
Investments	1,240,087	3,033,221	4,194,860	3,723,796	3,759,106
Other Assets	<u>3,904</u>	<u>3,904</u>	<u>20</u>	<u>--</u>	<u>--</u>
TOTAL ASSETS	<u>2,377,406</u>	<u>3,691,958</u>	<u>5,038,189</u>	<u>4,769,404</u>	<u>5,045,325</u>
LIABILITIES AND FUND					
BALANCES:					
Liabilities:					
Vouchers payable	522,681	211,108	145,491	241,775	201,913
Other accrued liabilities	271,808	319,465	265,446	594,687	400,422
Due to other funds	17,455	17,264	60,295	60,111	59,768
Due to Component Units	<u>4,923</u>	<u>4,464</u>	<u>7,990</u>	<u>236,595</u>	<u>179,553</u>
Total liabilities	<u>816,867</u>	<u>552,301</u>	<u>479,222</u>	<u>1,133,168</u>	<u>841,656</u>
FUND BALANCES:					
Assigned	390,666	407,353	940,472	1,528,248	1,512,789
Unassigned	<u>1,169,873</u>	<u>2,732,304</u>	<u>3,618,495</u>	<u>2,107,988</u>	<u>2,690,880</u>
Total fund balances*	<u>1,560,539</u>	<u>3,139,657</u>	<u>4,558,967</u>	<u>3,636,236</u>	<u>4,203,669</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,377,406</u>	<u>\$3,691,958</u>	<u>\$5,038,189</u>	<u>\$4,769,404</u>	<u>\$5,045,325</u>

* Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. All revenues deposited into the General Fund are not constrained for specific purposes and are the general obligations of the State and are unassigned. Encumbrance balances at fiscal year-end are classified as assigned.

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TABLE B-9
Statement of Revenues and Expenditures of the General Fund
of the State of Hawaii
(for the fiscal years shown)
(Amounts in Thousands)

	<u>2020-2021</u>	<u>% of Total</u>	<u>2021-2022</u>	<u>% of Total</u>	<u>2022-2023</u>	<u>% of Total</u>	<u>2023-2024</u>	<u>% of Total</u>	<u>2024-25</u>	<u>% of Total</u>
REVENUES:										
General excise tax	\$3,195,843	43.38%	\$3,603,931	40.00%	\$4,425,593	41.36%	\$4,458,592	44.35%	\$4,600,173	43.37%
Income tax-corporation	162,485	2.21	274,152	3.04	317,703	2.97	448,463	4.46	428,598	4.04
Income tax-individual	3,070,689	41.68	3,484,295	38.67	3,313,608	30.96	3,346,660	33.29	3,248,876	30.63
Service companies tax	125,201	1.70	122,068	1.36	142,194	1.33	159,222	1.58	154,478	1.46
Liquor licenses and taxes	45,178	0.61	53,983	0.60	54,513	0.51	51,602	0.51	50,149	0.47
Tobacco licenses and taxes	72,747	0.99	65,658	0.73	59,070	0.55	58,789	0.59	56,922	0.54
Insurance premiums tax	185,570	2.52	195,607	2.17	203,790	1.90	211,352	2.10	218,833	2.06
Rental motor/tour vehicle surcharge tax	5	--	14	--	8	--	3	--	3	--
Inheritance and estate tax	31,275	0.42	57,405	0.64	58,083	0.54	55,794	0.56	405,766	3.83
Franchise tax	3,079	0.04	57,252	0.04	52,969	0.27	28,912	0.29	8,296	0.08
Environmental response tax	15,441	0.21	20,878	0.23	22,074	0.21	21,968	0.22	21,823	0.20
Transient accommodations tax*	194,095	2.63	661,330	7.34	755,022	7.06	727,247	7.23	717,246	6.76
Conveyance tax	<u>26,257</u>	<u>0.36</u>	<u>145,318</u>	<u>1.61</u>	<u>912,231</u>	<u>8.52</u>	<u>54,311</u>	<u>0.54</u>	<u>52,942</u>	<u>0.50</u>
Total Taxes	7,127,865	96.75	8,741,891	97.03	10,292,858	96.18	9,622,915	95.72	9,964,105	93.94
Charges for current services and other revenues	<u>239,100</u>	<u>3.25</u>	<u>267,630</u>	<u>2.97</u>	<u>408,585</u>	<u>3.82</u>	<u>430,693</u>	<u>4.28</u>	<u>643,201</u>	<u>6.06</u>
TOTAL REVENUES	<u>\$ 7,366,965</u>	<u>100.00%</u>	<u>\$ 9,009,521</u>	<u>100.00%</u>	<u>\$10,701,443</u>	<u>100.00%</u>	<u>\$10,053,608</u>	<u>100.00%</u>	<u>\$10,607,306</u>	<u>100.00%</u>
EXPENDITURES:										
General government	\$930,895	12.97	\$578,495	8.79	\$852,277	11.07	\$738,778	7.96	\$685,101	7.85
Public safety	422,017	5.88	399,499	6.07	441,535	5.74	662,394	7.13	647,530	7.42
Conservation of natural resources	67,198	0.94	60,932	0.93	83,288	1.08	109,643	1.18	125,031	1.43
Health	725,269	10.10	665,233	10.11	658,965	8.56	949,343	10.22	926,738	10.62
Welfare	1,265,818	17.63	1,350,186	20.52	1,389,649	18.06	1,458,249	15.70	1,516,717	17.38
Education: Higher	885,315	12.33	768,478	11.68	940,609	12.22	1,041,710	11.22	987,129	11.31
Lower and others	2,699,859	37.61	2,518,841	38.29	3,129,772	40.67	3,417,863	36.81	3,362,800	38.53
Culture-recreation	64,854	0.90	60,801	0.93	78,546	1.02	83,630	0.90	99,702	1.14
Urban redevelopment and housing	20,703	0.29	18,975	0.28	32,142	0.42	63,847	0.69	85,790	0.98
Economic development & assistance	58,068	0.81	49,779	0.76	59,770	0.78	334,415	3.60	204,798	2.35
Other	<u>38,408</u>	<u>0.54</u>	<u>107,878</u>	<u>1.64</u>	<u>29,249</u>	<u>0.38</u>	<u>425,564</u>	<u>4.59</u>	<u>86,668</u>	<u>0.99</u>
TOTAL EXPENDITURES	<u>\$ 7,178,404</u>	<u>100.00%</u>	<u>\$ 6,579,047</u>	<u>100.00%</u>	<u>\$ 7,695,802</u>	<u>100.00%</u>	<u>\$ 9,285,436</u>	<u>100.00%</u>	<u>\$ 8,728,004</u>	<u>100.00%</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	\$985,641	--	\$191,545	--	\$175,255	--	\$142,838	--	\$170,675	--
Transfers out	(1,157,380)	--	(1,057,626)	--	(1,794,048)	--	(1,866,126)	--	(1,519,512)	--
Other	<u>757,827</u>	--	<u>12,198</u>	--	<u>32,462</u>	--	<u>32,385</u>	--	<u>31,836</u>	--
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 586,088</u>	--	<u>\$ (853,883)</u>	--	<u>\$(1,586,331)</u>	--	<u>\$(1,690,903)</u>	--	<u>\$(1,317,001)</u>	--

* See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund" in Appendix A for information about the Transient Accommodations Tax.

REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS

Introduction

The State Constitution requires that there be established by law a Council on Revenues (the “Council”) to prepare revenue estimates of the State government and to report such estimates to the Governor and the Legislature. The revenue estimates serve as the basis for the Governor’s budget preparation and the Legislature’s appropriation of funds and enactment of revenue measures. If the Council’s latest revenue estimates are not used by the Governor or the Legislature for budget preparation or appropriations, respectively, then the party not using the latest estimates must publicly state the reasons for using a differing revenue estimate. The Council is required to report its estimates and revisions by June 1, September 10, January 10, and March 15. The Council also revises its estimates when it determines that such revisions are necessary or upon request of the Governor or the Legislature. The Council’s estimates are used by the Department of Budget and Finance in formulating the State Multi Year Program and Financial Plan, the Executive Budget, and the Executive Supplemental Budget for submission to the Legislature and in executing the budgets authorized by the Legislature.

The Council consists of seven members, three of whom are appointed by the Governor for four-year terms and two each of whom are appointed by the President of the Senate and the Speaker of the House of Representatives for two-year terms. The membership of the current Council comprises: a tax attorney/certified public accountant; a chief financial officer of a depository financial services loan company; an economics professor from the University of Hawaii, Mānoa; a vice-president of a professional consulting and engineering practice; a principal of a trust/estate practice; a research and consulting director of a commercial real estate company; and an ecological economics professor from the Hawaii Pacific University.

The following is a summary of the Council’s actions since the third quarter of 2024.

In September 2024, the Council lowered its forecast to 3.5% from 4.8% for fiscal year 2025, 2.2% from 4.5% for fiscal year 2026, 3.5% from 4.0% for fiscal year 2027, 3.1% from 3.5% for fiscal year 2028, 3.1% from 3.5% for fiscal year 2029, 1.9% from 3.5% for fiscal year 2030, and 3.1% for fiscal year 2031. The Council lowered its forecast because of the significant tax relief legislation passed in the 2024 Legislature. The Council additionally reported that the downward revision for all years’ accounts for the significant tax relief legislation and the revenue loss expected from laws passed by the 2024 Legislature, stating that Act 46, SLH 2024 incrementally decreases the State’s income tax burden over a seven-year period. Act 47, SLH 2024 reduces GET collections through its exemption of medical and dental services paid with Medicare, Medicaid, and TRICARE. The revenue impacts of both laws are incorporated in the Council’s forecast. The Council provided expected revenue impacts of each law.

In January 2025, the Council raised its General Fund revenue growth forecast to 6.4% from 3.5% for fiscal year 2025 due to a one-time estate tax collection, and lowered its fiscal year 2026 forecast to (1.5)% from 2.2%, fiscal year 2027 to 2.9% from 3.5%, fiscal year 2028 2.5% from 3.1%, fiscal year 2029 to 2.6% from 3.1% and left its prior forecasted revenue growth for fiscal years 2030 and 2031 unchanged. The forecast reflects a more pessimistic economic outlook surrounding the recent election and outmigration.

In March 2025, the Council reduced its General Fund revenue growth forecast to 5.0% from 6.4% for fiscal year 2025, lowered its fiscal year 2026 forecast to (2.3)% from (1.5)% and left its prior forecasted revenue growth for fiscal years 2027-2031 unchanged. The downward revision in fiscal year 2025 arose from higher than expected individual and corporate refunds. The lower forecast in fiscal year 2026 also reflects the economic uncertainty caused by policy changes at the Federal level.

In May 2025, the Council lowered its General Fund revenue growth forecast to 4.4% from 5.0% for fiscal year 2025, lowered its fiscal year 2026, 2027 and 2028 forecast to (3.5)% from (2.3)%, 1.0% from 2.9% and 1.5% from 2.5%, respectively, and left its prior forecasted revenue growth for fiscal years 2029-2031 unchanged.

In September 2025, the Council changed its forecast to (4.7)% from (3.5)% for fiscal year 2026, 2.0% from 1.0% for fiscal year 2027, 1.9% from 1.5% for fiscal year 2028, 2.5% from 2.6% for fiscal year 2029, 1.8% from 1.9% for fiscal year 2030, forecast remained the same for fiscal year 2031, and 3.4% for fiscal year 2032. The downward revision in fiscal year 2026 reflected the weakening U.S. economy and the anticipated decline in Hawaii visitor arrivals and spending. The negative growth in fiscal year 2026 is partly due to the higher base in fiscal year 2025 from the one-time estate tax collection in September 2024.

In January 2026, the Council did not change its forecast for fiscal years 2026-2032. Further, the Council reported that a recovery of tourists on the island of Maui in the wake of the 2023 fires, an expected gradual return of Japanese visitors, a strong construction outlook, and the stimulative effects coming from the anticipated cuts to the Federal Reserve’s benchmark rate were making for a more favorable economic outlook for the State in the coming years.

In March 2026, The Council raised its forecast for fiscal year 2026 growth rate from (4.7)% to (4.5)% and left its forecast for fiscal years 2027-2032 unchanged from the September 2025 and January 2026 projections. As the Council previously noted in its September 2025 forecast, the negative growth number is in part due to a higher base in fiscal year 2025 from the one-time estate tax collection in September 2024. The Council also noted that the multi-year implementation of the individual income tax cuts enacted by Act 46, SLH 2024, weighs down on the forecast figures at an increasing rate through fiscal year 2032, and further noted the existence of a tremendous amount of economic uncertainty that will influence collections over the next several fiscal years caused by policy changes at the Federal level and additional uncertainty due to the current war in the Middle East. It should be noted that the forecast is based on current law and therefore does not take into account the “pause” proposed by the Governor in January 2026 to the income tax reform measures established by Act 46, SLH 2024, described below, as such a pause would require the enactment of legislation which is currently pending in the Legislature. See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund—*Income Taxes*” and “CERTAIN INVESTMENT CONSIDERATIONS—State Income Tax Reform” in this Appendix A.

The March 2026 forecasts for the State General Fund tax revenues for fiscal years 2026 through 2032 are shown in Table B-10 below.

TABLE B-10
March 2026 Forecast
General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2026	\$ 9,525,324	(4.5)%
2027	9,715,830	2.0
2028	9,900,431	1.9
2029	10,147,942	2.5
2030	10,330,605	1.8
2031	10,650,854	3.1
2032	11,012,983	3.4

The Council adopted specific adjustments recommended by the Department of Taxation to reflect effects on General Fund tax revenues due to tax law changes enacted by the 2024 and 2025 Legislature, including the following:

- Act 58, SLH 2025 requires all qualified members claiming a credit for Pass-Through Entity (PTE) tax to adjust their taxable income by adding the qualified member’s share of taxes paid by the electing PTE. The Act became effective on May 15, 2025, and applies to taxable years beginning after December 31, 2024. The estimated gain to the General Fund is \$29.3 million in FY 2026, \$30.8 million in FY 2027, \$32.4 million in FY 2028, \$34.0 million in FY 2029, \$35.7 million in FY 2030, \$37.5 million in FY 2031, and \$39.4 million in FY 2032.
- Act 96, SLH 2025 increase the transient accommodations tax (TAT) by 0.75% and imposes the TAT on cruise ship operators’ gross rental proceeds derived from cruise fare, prorated by the ratio of days docked in any port in the State to the total numbers of days of the voyage. Act 96 is effective on January 1, 2026. The estimated gain to the General Fund is \$42.0 million in FY 2026, \$87.0 million in FY 2027, \$88.0 million in FY 2028, \$88.9 million in FY 2030, \$87.8 million in FY 2031, and \$89.8 million in FY 2032.
- Act 46, SLH 2024 increases the standard deduction amounts, with amendments taking effect in tax years 2024, 2026, 2028, 2030, and 2031. The act also amends the income tax brackets by increasing the income limits in each bracket, with amendments taking effect in tax years 2025, 2027, and 2029. The estimated revenue impact assumes the adjustment of the withholding Tables on wages beginning January 1, 2025. The law became effective January 1, 2024. The estimated loss to the General Fund is \$240.3 million in FY 2025, \$596.6 million in FY 2026, \$740.1 million in FY 2027, \$922.7 million in FY 2028, \$1,052.6 million in FY 2029, \$1,262.3 million in FY 2030, \$1,347.5 million in FY 2031, and \$1,453.2 million in FY 2032.
- Act 47, SLH 2024 exempts medical services health care providers provide to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax. The exemption applies to taxable years beginning January 1, 2026. The estimated loss to the General Fund is \$33.6 million in FY 2026, \$77.5 million in FY 2027, \$81.0 million in FY 2028, \$84.5 million in FY 2029, \$88.2 million in FY 2030, and \$92.1 million in FY 2031.

These deliberations and considerations have informed the State’s General Fund financial plan. See “—General Fund Financial Plan” below in this Part I of Appendix B. As further discussed below under “General Fund Financial Plan,” and elsewhere in this Official Statement, the forecasts described herein should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on prospective financial information.

The Council’s next meeting regarding the General Fund financial forecast is expected to occur on May 21, 2026.

General Fund Financial Plan

The management of the State has prepared the prospective financial information set forth in Table B-11 below to present projections of certain tax collections and expenditures. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State’s management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and

belief, the projected course of action and the projected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the State’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Set forth in Table B-11 below are the actual budgetary General Fund resources, expenditures, and balances for fiscal years 2025 and estimates for fiscal years 2026 through 2031. The budgetary General Fund resources, expenditures and balances below and under “General Fund Tax Revenues” and “Actual Collections and Distributions” are presented on a modified cash-basis. The State’s normal practice is to utilize this modified cash-basis methodology for budgetary and financial planning purposes. In contrast, the State’s audited financial statements are prepared on a modified accrual basis. Consequently, the modified cash basis information presented under this caption and the next two captions titled “General Fund Tax Revenues” and “Actual Collections and Distributions” is not directly comparable to the modified accrual basis information presented in the State’s audited financial statements, and the differences in reporting may vary substantially. Due to timing issues and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services. However, the financial plan records appropriations in the fiscal year for which the appropriation was authorized. This affects certain transactions in fiscal year 2025 which are discussed in more detail in footnotes to Table B-11 below.

The Green Administration prepared the fiscal 2027 Executive Supplemental Budget for submittal to the 2026 Legislature which was due on December 22, 2025. Consequently, the amounts reflected in Table B-11 are subject to change.

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TABLE B-11
Multi-Year Financial Summary – General Fund
Fiscal Years 2025-2031 (Unaudited)
(in millions of dollars)

	Adj. Act ^{1,8,9} FY 25	Adj. Act ^{1,8,9} FY 26	Estimated FY 27	Estimated FY 28	Estimated FY 29	Estimated FY 30	Estimated FY 31
REVENUES:							
Executive Branch:	4.2%	-4.5%	2.0%	1.9%	2.5%	1.8%	3.1%
Tax revenues ²	\$ 9,974.2	\$ 9,525.3	\$ 9,715.8	\$ 9,900.4	\$10,147.9	\$10,330.6	\$10,650.9
Nontax revenues ³	1,266.6	1,481.4	871.4	898.2	916.4	917.5	916.0
Judicial Branch revenues ³	26.1	26.1	26.1	26.1	26.6	26.6	26.6
Other Revenues	0.0	0.0	(12.4)	211.9	255.3	552.5	597.7
TOTAL REVENUES	<u>11,266.9</u>	<u>11,032.8</u>	<u>10,600.9</u>	<u>11,036.6</u>	<u>11,346.2</u>	<u>11,827.1</u>	<u>12,191.1</u>
EXPENDITURES							
Executive Branch:							
Operating ⁴	10,321.7	10,384.0	10,629.1	10,770.7	11,012.0	11,207.4	11,293.4
CIP ⁵	113.3	0.0	(35.0)	0.0	0.0	0.0	0.0
Specific appropriation/CB ⁶	689.9	663.2	738.2	359.8	477.3	488.6	489.1
Other expenditures/adjustments ⁷	0.0	139.1	22.5	26.1	26.1	26.1	26.1
Sub-total – Executive Branch	11,124.8	11,186.3	11,354.8	11,156.6	11,515.5	11,722.1	11,808.5
Legislative Branch	58.0	50.9	52.7	53.8	54.1	54.5	54.9
Judicial Branch	235.3	209.1	217.9	222.7	228.9	230.5	231.6
Office of Hawaiian Affairs	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Counties	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Lapses	(533.1)	(250.0)	(250.0)	(250.0)	(250.0)	(250.0)	(250.0)
TOTAL EXPENDITURES	<u>10,888.0</u>	<u>11,199.4</u>	<u>11,378.5</u>	<u>11,186.1</u>	<u>11,551.4</u>	<u>11,760.1</u>	<u>11,848.0</u>
REV. OVER (UNDER) EXPEND.	378.8	(166.6)	(777.6)	(149.4)	(205.2)	67.0	343.1
CARRY-OVER BALANCE							
Beginning	1,741.7	2,120.6	1,954.0	1,176.4	1,026.9	821.7	888.8
Ending	<u>\$ 2,120.6</u>	<u>\$ 1,954.0</u>	<u>\$ 1,176.4</u>	<u>\$ 1,026.9</u>	<u>\$ 821.7</u>	<u>\$ 888.8</u>	<u>\$ 1,231.9</u>
<i>Emergency and Budget Reserve Fund (EBRF)</i>							
EBRF fund balance as % of prior year revenues	14.7%	14.4%	15.2%	16.3%	16.3%	16.4%	16.3%
Total EBRF & General Fund as % of prior year revenues	34.6%	31.8%	25.9%	26.0%	23.7%	24.2%	26.7%

Note: Due to rounding, details may not add to totals.

¹ Unaudited. The State's modified cash-basis statements are not directly comparable with the State's audited financial statements, which are modified accrual basis.

² Reflects actual FY 2025 revenue collections as reported by the Dept. of Accounting and General Services. Reflects FYs 2026-2031 Council on Revenues' March 2026 projections as reported by the Department of Taxation.

³ Reflects actual FY 2025, revenue collections as reported by the Dept. of Accounting and General Services. Revenues for Fiscal Years 2026-2031 constitute March 2026 projections as reported by various State departments.

⁴ Executive Branch FY 2026 and FY 2027 expenditures reflect FY 27 Supplemental Budget proposals and appropriations made by the legislature and estimated out year costs.

⁵ Reflects FY 2025 general fund CIP and FY 27 Supplemental Budget proposals.

⁶ Reflects FY 2025 and FY 2026 grants, FY 2025 and FY 2026 collective bargaining and out year costs, FY 2025 Commission on Salary costs and out year costs, FY 2025 temporary hazard pay, FY 2025 claims against the State, and specific appropriation from 2023 to 2025 Legislatures and projected out year cost. Does not include pending collective bargaining for units 5, 11, 14 and EUTF for bargaining units 11 and 14.

⁷ Reflects FY 2026 proposed temporary hazard pay, FY 2028-2031 partial funded costs, and FY 2026-2031 2026 legislative proposals (including FY 2026 proposed claims against the State and \$5 million place holder for claims against the State).

⁸ Due to timing issues and accounting system limitations, certain transactions authorized for a FY were recorded in the following FY by the Department of Accounting and General Services. However, the financial plan records appropriations in the FY for which the appropriation was authorized. For FY 2025, \$5.5 million was added for Hawaii Pacific Hydrogen Hub, \$10 million for Department of Agriculture, \$4.3 million for Department of Education, Libraries and \$39.9 million for University of Hawaii.

⁹ FY 2025 adjusted expenditures are derived to equal Department of Accounting and General Services preliminary general fund balance (ACC 25 U043). Sources: Department of Accounting and General Services; Department of Budget and Finance

The preceding General Fund financial plan is based on actual cash-basis General Fund tax revenues for fiscal years 2025 as reported by the Department of Accounting and General Services. Fiscal years 2026 through 2031 estimated tax revenues reflect the forecast for General Fund tax revenues from the Council on Revenues' January 7, 2026 meeting that incorporate the revenue impacts of Acts 46 and 47, SLH 2024 and Acts 58 and 96, SLH 2025 and 2026 legislative proposal. The estimated non-tax and Judicial Branch revenues reflects the Council on Revenues' January 7, 2026 meeting non-tax revenue projections.

With respect to Executive Branch expenditures, fiscal year 2025 reflects appropriations from Act 164, SLH 2023, and includes line-item veto/reductions of \$533.0 million, and from Act 230, SLH 2024, that includes line-item veto/reductions of \$109.6 million. Fiscal years 2026 and 2027 reflect appropriations from Act 250, SLH 2025 and fiscal year 2027 executive supplemental budget and includes line-item veto/reductions of \$60.1 million and \$47.9 million, respectively. Fiscal years 2028 through 2031 reflect estimated out year costs from fiscal year 2027 budget levels net of non-recurring appropriations plus projected fixed cost increases and continuation of funding for programs that were funded for fiscal year 2027 only.

Specific appropriations/CB reflect non-budget act appropriations authorized by the Legislature during the 2023, 2024, and 2025 legislative regular session and 2026 proposed expenditure proposals. Fiscal year 2025 reflects \$187.8 million and \$326.0 million for negotiated collective bargaining costs from the 2023 and 2024 legislative regular session, respectively. Fiscal years 2026 and 2027 include a \$400.0 million and \$407.5, respectively for wildfire costs (Act 301, SLH 2025); \$21.1 million and \$30.2 million, respectively for Kauhale projects and 'Ohana zones program (Act 309, SLH 2025); \$10.0 million and \$10.0 million respectively for Hawaii Public Housing Authority (Act 182, SLH 2025); \$50.0 million for office of community services of the department of labor in FY 2026 (Act 310, SLH 2025). Fiscal years 2028 through 2031 reflect estimated current and out-year costs for recently negotiated collective bargaining agreements. Fiscal year 2025 includes \$7.0 million, and fiscal years 2027 through 2031 include a \$5 million per year set aside for future claims against the State.

Other expenditures/adjustments reflect other adjustments not reflected elsewhere. Fiscal year 2028-2031 includes partially funded items and 2026 set aside for legislative proposals (FY 2026 \$5.0 million for claims against the State, \$1.5 million for emergency appropriation for University of Hawaii, \$17.8 million for emergency appropriation for SNAP program, FY 2027 \$1.5 million for energy assistance and FY 2026-2027 \$16.0 million for Affordable Care Act premiums).

Lapses for fiscal years 2025 reflect actual cash-basis General Fund appropriation lapses as reported by the Department of Accounting and General Services. Lapses for fiscal year 2026 through 2031 reflect anticipated lapses based on historical trends.

The EBRF balance for fiscal years 2025 reflect balances as reported by the Department of Accounting and General Services. The estimated EBRF balance amounts for fiscal years 2026 through 2031 reflect transfers of a portion from the State's share of the tobacco settlement monies and estimated interest earnings.

In the General Fund financial plan, fiscal year revenues are recognized based upon receipt while fiscal year expenditures are recognized when appropriations are expended or encumbered in that year (except for the adjustments noted above for the General Fund financial plan). At the end of the fiscal year, encumbrances, although they may subsequently lapse, are considered to be expended. Additionally, the Department of Education, by law, is allowed to retain up to 5% of its appropriations up to one year into the next fiscal biennium. For example, \$49.7 million was carried over from fiscal year 2024 to fiscal year 2025 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2024.

The State's Department of Budget and Finance monitors and may adjust the State's General Fund financial plan as necessary, based on quarterly Council on Revenues projections, monthly tax collection data, updated expenditure projections and other factors such as major world and economic events and changes in federal funding policies.

General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2025, and represent approximately 93.94% of the total General Fund revenues (as reported by DAGS). See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund" in Appendix A.

The State's General Fund tax revenues have grown and diversified over time, with no source reflecting a majority of total tax revenue and GET revenues representing the largest source of General Fund revenue at 46%. Unaudited fiscal year 2025 General Fund tax revenues are approximately 40% higher than fiscal year 2019 (pre-pandemic) figures. Unaudited 2025 General Fund tax revenues increased by 4.2% compared to fiscal year 2024. Fiscal year 2025 General Fund tax revenues reflect an average annual growth of approximately 8% since fiscal year 2020, and average annual growth of approximately 6% since fiscal year 2015.

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Set forth in Table B-12 below are the preliminary General Fund tax revenues for the fiscal year ended June 30, 2025, and estimated tax revenues for the fiscal years ending June 30, 2026 and June 30, 2027 as reported by the Department of Taxation. The estimated tax revenues are based on the forecast for total General Fund revenues from the Council on Revenues' March 2026 report, and the line-item projections are prepared by the Department of Taxation to be consistent with the Council's forecast. It is estimated from 2000-2019 general fund revenues grew by 4.9% per year (4.5% CAGR).

TABLE B-12
General Fund Tax Revenues
(Thousands of Dollars)

	Actual* 2024-2025	Estimated 2025-2026	Estimated 2026-2027
General Excise and Use Tax	\$4,596,199	\$4,691,737	\$4,875,535
Income Tax—Individual	3,288,541	2,986,920	2,900,330
Income Tax—Corporation	400,097	420,940	437,207
Public Service Company Tax	154,478	162,669	171,030
Tax on Insurance Premiums	218,833	239,314	254,031
Cigarette & Tobacco Tax	56,818	57,362	55,813
Liquor Tax	50,149	50,334	50,865
Tax on Banks & Other Financial Corps.	10,296	22,221	22,604
Inheritance and Estate Tax	405,766	57,250	58,699
Conveyance Tax	53,733	57,488	59,615
Miscellaneous Taxes	28,641	28,370	27,594
Transient Accommodation Tax	<u>710,611</u>	<u>750,720</u>	<u>802,507</u>
TOTAL	<u>\$9,974,161</u>	<u>\$9,525,324</u>	<u>\$9,715,830</u>
GROWTH RATE	4.2%	(4.5)%	2.0%

Note: Details may not add to totals due to rounding.

* Unaudited. The State's cash basis statements are not directly comparable with the State's audited financial statements, which are on an accrual basis. The tax revenue numbers reported by the Department of Taxation may differ from the tax revenue numbers reported by DAGS because of accounting system reclassifications and collection timing issues. See Table A-1 under "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in the General Fund" in Appendix A.

Sources: Actual or Preliminary collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues' report of March 2026, and line-item projections prepared by the Department of Taxation.

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Actual Collections and Distributions

Set forth in Table B-13 and Table B-14 below are unaudited statements of State tax collections and distributions for fiscal years 2024 and 2025 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2025 amounted to \$11.5 billion. This represents a 3.4% increase from the previous fiscal year.

TABLE B-13
State Tax Collections—Source of Revenue
(Thousands of Dollars)

	Fiscal Year Ended June 30	
	2024-2025	2023-2024
State Tax Collections—Source of Revenue		
Banks/Financial Corporations ¹	\$ 10,296	\$ 30,912
Conveyances ¹	96,045	97,411
Employment Security Contributions	281,225	377,458
Fuel and Environmental ²	195,090	195,895
General Excise License and Registration Fees	637	622
General Excise and Use ³	4,630,396	4,481,056
County Surcharge ⁴	565,256	489,688
Income—Corporations:		
Declaration of Estimated Taxes	\$544,431	519,113
Payment with Returns	66,117	60,075
Refunds	(210,164)	(94,818)
Income—Individuals ¹ :		
Declaration of Estimated Taxes	\$996,947	950,068
Payment with Returns	441,533	403,142
Withholding tax on Wages	2,739,876	2,773,118
Refunds	(890,263)	(844,803)
Inheritance and Estate	405,766	55,794
Insurance Premiums	218,833	211,352
Liquor and Permits	50,149	51,602
Motor Vehicle Tax/Fees, Etc. ⁵	263,600	249,163
Public Service Companies	154,478	159,222
Tobacco and Licenses ¹	79,887	84,166
Transient Accommodations Fees/Time Share Occupation Fees	16	19
Transient Accommodations Tax/Time Share Occupation Tax ¹	816,184	828,327
All Other ⁶	<u>1</u>	<u>28</u>
TOTAL	<u>\$11,456,335</u>	<u>\$11,078,610</u>

Note: Details may not add to totals due to rounding. Fiscal year 2025 numbers are unaudited.

¹ Gross collection — does not reflect allocation to Special Funds.

² Fuel tax collections were \$167,969,542 for fiscal year 2025, of which \$3,791 could not be distributed because the required tax returns were not available. Fuel tax collections were \$168,803,227 for fiscal year 2024. A total of \$217,494 could not be distributed because the required tax returns were not available.

³ May also contain some revenue from the County Surcharge.

⁴ Includes amounts allocated as of June 30, 2025 from the surcharges imposed by the City and County of Honolulu, by the County of Maui, by the County of Hawaii, and by the County of Kauai.

⁵ Includes State Motor Vehicle Weight Tax, Registration Fees, Registration Surcharge Fees, Commercial Driver's License, Periodic Motor Vehicle Inspection Fees, Rental Vehicle Registration Fees and Rental Vehicle Surcharge Tax.

⁶ Includes fuel retail dealer permits, and penalties and interest on fuel tax.

TABLE B-14
State Tax Collections – Distribution
(Thousands of Dollars)

	Fiscal Year Ended June 30	
	2024-2025	2023-2024
State Tax Collections—Distribution		
State General Fund	\$ 9,974,161	\$ 9,568,313
State Highway Fund	339,319	325,187
State Airport Fund	2,642	2,664
Boating Special Fund	1,653	1,659
Environmental Fund	1,297	1,306
Cigarette Stamp Administrative Fund	125	138
Cigarette Stamp Enforcement Fund	935	1,033
Compliance Resolution Fund	2,000	2,000
Election Campaign Fund	83	92
Employment Security Fund	281,225	377,458
Rental Housing Fund	38,000	38,000
Convention Center Enterprise Fund	11,000	11,000
Land Conservation Fund	5,100	5,100
School Minor Repairs and Maintenance Fund	55	61
Public Libraries Fund	125	135
Domestic Violence/Child Abuse Neglect Funds	125	136
Cancer Research Fund	7,789	8,607
Trauma System Fund	4,381	4,841
Emergency Medical Service Fund	4,868	5,379
Community Health Centers Fund	4,868	5,379
Energy Security Fund	1,162	1,174
Energy Systems Development Fund	1,353	1,365
Electric Vehicle Charging System Subaccount	744	748
Hydrogen Fueling System Subaccount	744	748
Turtle Bay Conservation Easement Fund	1,500	1,500
Land and Development Fund	3,000	3,000
Mass Transit Special Fund	78,758	79,668
Tax Administration Fund	<u>36,305</u>	<u>54,417</u>
Subtotal	10,803,318	10,501,105
County Surcharge	\$565,256	489,688
Other County Revenue*:		
Fuel Tax	<u>87,761</u>	<u>87,817</u>
TOTAL	<u>\$11,456,335</u>	<u>\$11,078,610</u>

Note: Details may not add to totals due to rounding.

* Refers to distributions received by the Counties from the specified taxes.

STATE EMPLOYEES’ RETIREMENT SYSTEM

A description of the Employees’ Retirement System of the State of Hawaii for employees of the State and the counties is provided under “EMPLOYEE RELATIONS; STATE EMPLOYEES’ RETIREMENT SYSTEM—State Employees’ Retirement System” in Appendix A. The following statistical information addresses the entire System, including both State and county employees. The System issues an Annual Comprehensive Financial Report that may be obtained by writing to the Employees’ Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813 or by accessing the Employees’ Retirement System website at <http://ers.ehawaii.gov>. Such information available at such website or linked therefrom are expressly not incorporated herein by this reference.

Employer Contribution Rate

The following Table B-15 shows the statutory total employer contribution rate for all employees based on the last five annual actuarial valuations.

**TABLE B-15
Statutory Total Employer Contribution Rate**

Actuarial Valuation as of June 30	Total Employer Contribution Rate for All Employees (% of total payroll) *	Funding Period (Years)
2021	25.94	24.0
2022	25.92	24.0
2023	25.89	23.0
2024	25.85	22.0
2025	25.84	21.0

* Reflects Act 181, SLH 2004, which amended HRS Sections 88-105,88-122,88-123, 88-124, 88-125 & 88-126, and Act 163, SLH 2011 and Act 17, SLH 2017.

The funding period in 2021 decreased more than expected due to significant investment gains which more than offset liability losses associated with higher than expected salary increases during fiscal year 2021. The funding period remained unchanged in 2022 due to a decrease in expected future contributions caused by the decline in contributory payroll. The funding period decreased as expected in 2023-2025 due to increases in covered payroll offsetting some adverse experience.

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To bring the funding period of the System within 30 years, Act 17, SLH 2017, which became effective July 1, 2017, increased employer contribution requirements as set forth in Table B-16:

**TABLE B-16
Increased Employer Contribution**

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2017	28.0	18.0
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020*	41.0	24.0

* Employer contribution rates will remain at this level in future years until legislative action is taken to change them. Legislation pending in the current session of the Legislature would, if enacted, increase such employer contribution rate for police officers and firefighters from 41.0% to 44.0% for fiscal years beginning on and after July 1, 2027.

The Legislature appropriated \$976.9 million for fiscal year 2026 and \$1,003.1 million for fiscal year 2027 in the Executive biennium budget (Act 250, SLH 2025) to fully fund the State’s contributions required by Act 17, 2017 SLH.

Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees’ Retirement System as of June 30, 2025 and 2024 is set forth below in Table B-17:

**TABLE B-17
Employees’ Retirement System of the State of Hawaii
Summary of Actuarial Certification as of June 30, 2025 and 2024
(Includes all counties)**

ASSETS	2024	2025
Total current assets	\$23,841,039,344	\$25,205,847,282
Present value of future employee contributions	3,408,930,058	3,680,189,453
Present value of future employer normal cost contributions	3,023,972,971	3,128,908,845
Unfunded actuarial accrued liability	<u>14,008,478,391</u>	<u>14,410,188,971</u>
TOTAL ASSETS	<u>\$44,282,420,764</u>	<u>\$46,425,134,551</u>
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	\$21,210,723,793	\$21,985,426,440
Present value of future benefits to active employees and inactive members	<u>23,071,696,971</u>	<u>24,439,708,111</u>
TOTAL LIABILITIES	<u>\$44,282,420,764</u>	<u>\$46,425,134,551</u>

Source: Gabriel, Roeder, Smith & Company

As of June 30, 2025, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately \$14.410 billion. The System’s funded ratios—assets divided by the actuarial accrued liability—increased during fiscal year 2025 as shown below in Table B-18:

**TABLE B-18
Funded Ratios**

<u>June 30, 2024</u>	<u>June 30, 2025</u>
63.0%	63.6%

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PART II
GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF HAWAII AS OF JUNE
30, 2025 AND INDEPENDENT AUDITORS' REPORT

Following is the State of Hawaii Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025 (the "Annual Comprehensive Financial Report"). For ease of reference, this Part II of Appendix B retains the Annual Comprehensive Financial Report's original pagination as shown on the table of contents of the Annual Comprehensive Financial Report.

In addition, the Annual Comprehensive Financial Report (i) has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system and may be obtained from its website, <http://emma.msrb.org>, (ii) has been filed on the website of the State of Hawaii Department of Accounting and General Services at <https://ags.hawaii.gov/wp-content/uploads/2026/02/acfr2025.pdf> and (iii) may be obtained upon request to the State of Hawaii Department of Budget and Finance, 250 South Hotel Street, Honolulu, Hawaii 96813, Attention: Financial Administration Division.

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STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



KEITH A. REGAN
COMPTROLLER

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2025



KEITH A. REGAN
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Annual Comprehensive Financial Report
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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2025



Keith A. Regan
Comptroller



Meoh-Leng Silliman
Deputy Comptroller

Governor
Director of Finance
Director of Taxation
Comptroller
Deputy Comptroller

Josh Green, M.D.
Seth S. Colby
Gary Sukanuma
Keith A. Regan
Meoh-Leng Silliman

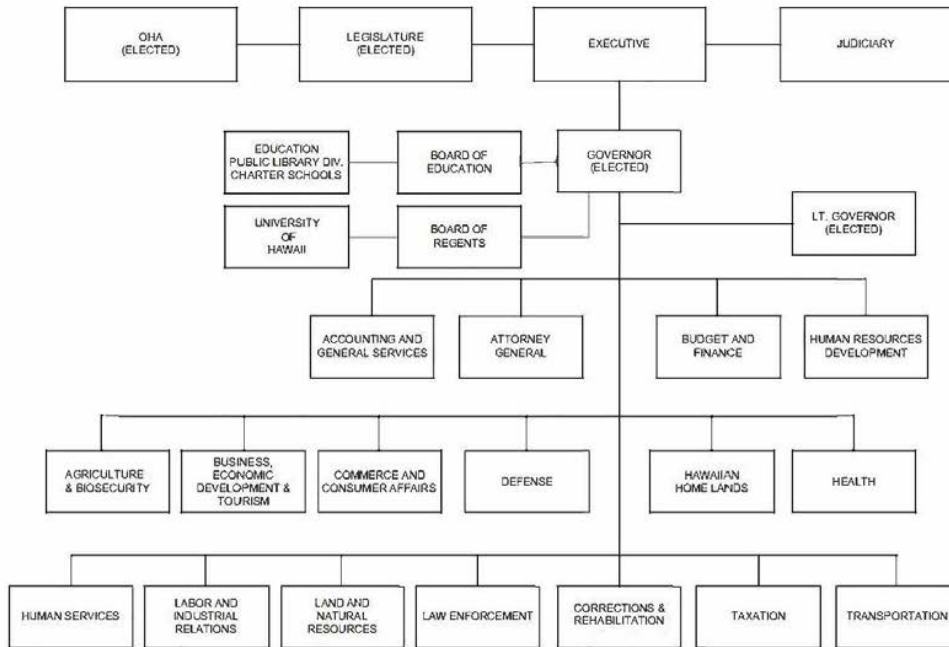
Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

The Comptroller is also department head of the Department of Accounting and General Services.

An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

State of Hawaii
Organizational Chart
June 30, 2025



- (1) The Governor’s appointment of justices of the Supreme Court confirmed by the Senate.
- (2) The Board of Education is appointed by the Governor.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

January 30, 2026

To the Citizens and Residents of the State of Hawaii
To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Thirty-Third State
Legislature of the State of Hawaii
To the Members of Governing Boards of Hawaii Departments and Agencies

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Annual Comprehensive Financial Report (ACFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2025. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview

During the second quarter of 2025, Hawaii's economic indicators were largely positive. The civilian labor force, wage and salary jobs, visitor arrivals, government contracts awarded, and private building permit authorizations increased. However, State general fund tax revenues decreased due to reduced income tax revenues.

Labor

Labor market conditions were positive. During the first nine months of 2025, Hawaii's total civilian employment averaged 670,100 persons, an increase of 10,700 persons or 1.6% over the same period in 2024. The number of wage and salary jobs averaged 655,000. Job increases were most notable in health care & social assistance 2,800, food services & drinking places 2,400, government sector 2,100, arts, entertainment and recreation 1,100, and accommodation 1,100. Job declines were experienced in professional & business services 600 and wholesale trade 100. Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 2.7% for the first nine months of 2025, which is 0.2% lower for the same period in 2024.

Taxes

The State General Fund tax revenues decreased \$150.8 million, or -3.0%, during the first nine months of 2025 compared to the same period in 2024. Among its components, net individual income tax collections decreased \$155.6 million or -8.9%, while general excise and use tax (GET) collections increased \$135.4 million or 5.9%, county surcharges were up by \$25.5 million or 9.6%, and transient accommodations tax (TAT) collections increased \$4.1 million or 1.0%. Net corporate income tax revenues decreased \$136.5 million or -41.8%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$11.8 million, or 5.8% in the first half of 2025 compared to the same period in 2024. Among its components, an incline was seen in wages and salaries which increased by \$6.5 million or 6.8%, supplemental wages and salaries which increased by \$2.1 million or 7.7% and dividends, interest and rent increased \$1.7 million or 3.7%. The remaining categories had inclines that ranged from 3.8% to 38.2%. Contributions for government social insurance, which are subtracted from personal income, increased by 7.2%.

Prices

Honolulu's consumer price index (CPI) increased 2.9% for the first half of 2025 compared to the same period in 2024, which is 0.3% above the 2.6% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in food and beverages (4.6%), transportation (4.0%), apparel (3.8%), other goods and services (3.0%), housing (2.6%), medical care (2.5%), and recreation (2.2%); and decrease in education and communication (-1.2%), compared to the first half of 2024.

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2025, total visitor arrivals by air increased 114,590 or 2.4% compared to the same period of 2024. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 3.5% while international arrivals decreased -2.5%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 1.8% in the first nine months of 2025 compared to the same period of 2024 and total visitor spending increased \$668.0 million or 6.5% over the same period. Statewide, the hotel occupancy rate averaged 74.4% in the first nine months of 2025, 0.3% lower than the average rate during the same period of 2024.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. Construction jobs and government contracts increased in the second quarter of 2025, however, state government CIP expenditure decreased. Private building authorizations increased for the state overall. In the second quarter of 2025, the construction sector increased 1,200 jobs or 3.1%, private building authorizations increased \$308.4 million or 24.7%, compared with the same quarter in 2024.

Outlook for Hawaii's Economy

Hawaii's economy strengthened in the first quarter of 2025 compared with the same quarter in 2024. Overall economic activity is now 1.8% above pre-pandemic levels recorded in late 2019. Several tourism related industries (accommodation, food services, transportation and recreation) remain below pre-pandemic levels. Non-tourism industries such as professional services, health care and information have helped offset the uneven rebound in visitor-related industries.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The August 2025 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2025 to increase 1.6% and projects a positive 1.5% U.S. economic growth rate for 2026. The Department of Business, Economic Development and Tourism (DBEDT) projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will increase by 1.3% in 2025, 1.4% in 2026, 1.6% in 2027 and 1.8% in 2028.

Visitor arrivals are projected to remain stable in 2025 and will improve starting 2026. Visitor spending is projected to be \$21.2 billion in 2025 and is expected to increase to \$23.0 billion by 2028

DBEDT projects total non-agricultural wage and salary jobs to increase by 1.4% in 2025 and then by 0.9% each year between 2025 and 2028. A full recovery of non-agricultural payroll jobs is expected to occur in 2027 when the total will reach 659,700 jobs. The unemployment rate is expected to be at 2.9% in 2025 and 2026 and will improve to 2.8% in 2027 and 2.7% in 2028.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, is expected to be at 3.0% in 2025, which is higher than the projected U.S. consumer inflation rate of 2.8% for the same year. Hawaii consumer inflation is expected to decrease to 2.2% by 2028.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.
2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

The legal level of budgetary control for expenditures is maintained at the program level by the department, and source of funds as established in the appropriation acts. The Governor is authorized to transfer budgets between programs within the same department and source of funds; however, transfers of budgets between departments generally require legislative authorization.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2025 (Act 250, SLH 2025), and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Of the 15 collective bargaining units, 13 include State employees. Units 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 have collective bargaining agreements in effect through June 30, 2029, while unit 5 has collective bargaining agreements in effect through June 30, 2027.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2025. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,



KEITH A. REGAN
Comptroller, State of Hawaii



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Hawaii

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

PART II: FINANCIAL SECTION



Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii's basic financial statements as listed in the accompanying table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; the Hawaii Employer-Union Health Benefits Trust Fund, which is a nonmajor enterprise fund; and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Business-Type Activities	65 %	64 %
Aggregate Discretely Presented Component Units	20 %	33 %
Fiduciary Funds	98 %	61 %

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Department of Transportation – Airports Division, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the State adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, as of July 1, 2024. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, there was a change in reporting entity during the year ended June 30, 2025. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of the Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Accuity is the brand name under which Accuity LLP and Accuity Advisors, LLC provide professional services. Accuity LLP and Accuity Advisors, LLC practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. Accuity LLP is a licensed independent CPA firm that provides attest services to its clients, and Accuity Advisors, LLC provides tax and business consulting services to their clients. Accuity Advisors, LLC, is not a licensed CPA firm.



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the State of Hawaii’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Hawaii’s internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
January 30, 2026

Accuity is the brand name under which Accuity LLP and Accuity Advisors, LLC provide professional services. Accuity LLP and Accuity Advisors, LLC practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. Accuity LLP is a licensed independent CPA firm that provides attest services to its clients, and Accuity Advisors, LLC provides tax and business consulting services to their clients. Accuity Advisors, LLC, is not a licensed CPA firm.



State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2025

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–6 of this report.

Financial Highlights

Change in Accounting Principle

During fiscal year 2025, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement updated the recognition and measurement guidance for compensated absences. This Statement requires recognition of a liability for compensated absences that is attributed to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled.

As a result of the adoption of GASB Statement No. 101, the beginning net position decreased by \$570.0 million.

Change in Reporting Entity

The Hawaii Tourism Authority (HTA) was previously reported as a discretely presented component unit. Due to the legislation enacted during the fiscal year 2025, HTA no longer meets the requirements for presentation as a discretely presented component unit and is reported as a blended component unit within the State's governmental activities as of and for the year ended June 30, 2025.

The beginning net position and fund balances were adjusted to reflect the change in reporting entity.

Government-Wide Highlights

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$5.5 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$1.7 billion, a decrease of \$1.7 billion from the previous year. Net position of governmental activities and business-type activities increased by \$2.5 billion and \$456.8 million, respectively, due to current year activity. The total deferred outflows of resources was \$1.9 billion, a \$178.2 million increase. This was due to the increase in deferred outflows on pension liability in the amount of \$280.0 million offset against a decrease in net other postemployment benefits (OPEB) liability in the amount of \$88.1 million. The deferred inflows of resources increased to \$2.7 billion. This was due to the increases in deferred inflows on OPEB liability in the amount of \$247.2 million offset against a decrease in pension liability in the amount of \$51.6 million.

The State's liabilities increased during the current year to \$28.6 billion, an increase of \$239.4 million.

The State's liability for postemployment benefits other than pension decreased to \$3.8 billion, a decrease of \$842.6 million for the fiscal year ended June 30, 2025.

The State's liability for pensions increased to \$7.5 billion, an increase of \$265.8 million for the fiscal year ended June 30, 2025.

During fiscal 2025, the State issued \$750 million in taxable General Obligation bonds and \$849 million in revenue bonds.

Fund Highlights

At June 30, 2025, the State's Governmental Funds reported combined ending fund balances of \$8.9 billion, an increase of \$1.6 billion from the prior fiscal year-end. Of this amount, \$4.2 billion, or 47.3%, of total fund balances was in the General Fund, and the remaining \$4.7 billion represents amounts in other funds designated for specific purposes. The Proprietary Funds reported net position of \$6.5 billion at June 30, 2025, an increase of \$456.8 million during the fiscal year.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2025

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) Fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information required by GASB and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation – Airports Division (Airports), Department of Transportation – Harbors Division (Harbors), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the Primary Government), but also the activities of six legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 30–32 of this report.

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State’s near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State’s near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Med-Quest Special Revenue Fund, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedules for the General Fund, Med-Quest Special Revenue Fund, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs Special Revenue Fund are located in the required supplementary information, and the budgetary comparison statements for each of the other Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 34–37 of this report.

Proprietary Funds

Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

State of Hawaii
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Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 38–42 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State’s own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on pages 44–45 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes to basic financial statements can be found on pages 52–120 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information (RSI) other than management’s discussion and analysis, which contains budget-to-actual schedules for the State’s General Fund, Med-Quest Special Revenue Fund, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs Special Revenue Fund as well as accompanying notes. This section also includes a Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of the Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions.

Other Supplementary Information

The combining financial statements referred to earlier are presented in the supplementary information immediately following the RSI other than management’s discussion and analysis. These combining statements provide details about the nonmajor Governmental, nonmajor Proprietary, and Custodial Funds. The total columns of these combining financial statements carry to the applicable Fund financial statements.

The statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as demographic, economic and operating information follows immediately after the supplementary information.

Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State’s Component Units, including their respective management’s discussion and analysis, can be obtained from the Department of Accounting and General Services.

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
June 30, 2025

Net position is a useful indicator of a government’s financial position. For the State, assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$5.5 billion as of June 30, 2025, and net position increased \$3.0 billion, or 104.9%, during the fiscal year. The net position of the governmental activities increased by \$2.5 billion, or 77.6%, and business-type activities had an increase of \$456.8 million, or 7.5%, due to the fiscal year 2025 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2025 and 2024
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 12,516,487	\$ 11,174,079	\$ 5,406,050	\$ 4,639,316	\$ 17,922,537	\$ 15,813,395
Capital assets, net	11,315,943	10,752,992	5,683,544	5,470,485	16,999,487	16,223,477
Total assets	<u>\$ 23,832,430</u>	<u>\$ 21,927,071</u>	<u>\$ 11,089,594</u>	<u>\$ 10,109,801</u>	<u>\$ 34,922,024</u>	<u>\$ 32,036,872</u>
Deferred outflows of resources						
Deferred loss on refunding	\$ 56,585	\$ 70,115	\$ 4,834	\$ 5,024	\$ 61,419	\$ 75,139
Deferred outflows on net pension liability	1,171,424	902,053	43,963	33,296	1,215,387	935,349
Deferred outflows on net other postemployment benefits liability	595,945	683,680	29,627	30,019	625,572	713,699
Total deferred outflows of resources	<u>\$ 1,823,954</u>	<u>\$ 1,655,848</u>	<u>\$ 78,424</u>	<u>\$ 68,339</u>	<u>\$ 1,902,378</u>	<u>\$ 1,724,187</u>
Liabilities						
Long-term liabilities	\$ 21,739,103	\$ 21,841,353	\$ 3,788,572	\$ 3,245,762	\$ 25,527,675	\$ 25,087,115
Other liabilities	2,740,209	2,961,730	345,480	325,125	3,085,689	3,286,855
Total liabilities	<u>\$ 24,479,312</u>	<u>\$ 24,803,083</u>	<u>\$ 4,134,052</u>	<u>\$ 3,570,887</u>	<u>\$ 28,613,364</u>	<u>\$ 28,373,970</u>
Deferred inflows of resources						
Deferred inflows on leases	\$ 754,980	\$ 767,793	\$ 434,753	\$ 460,681	\$ 1,189,733	\$ 1,228,474
Deferred inflows on unavailable revenues	-	41,592	-	-	-	41,592
Deferred inflows on net pension liability	99,999	149,306	18,505	20,749	118,504	170,055
Deferred inflows on net other postemployment benefits liability	1,312,627	1,073,640	40,099	31,904	1,352,726	1,105,544
Deferred gain on refunding	-	-	13,081	-	13,081	-
Total deferred inflows of resources	<u>\$ 2,167,606</u>	<u>\$ 2,032,331</u>	<u>\$ 506,438</u>	<u>\$ 513,334</u>	<u>\$ 2,674,044</u>	<u>\$ 2,545,665</u>
Net position						
Net investment in capital assets	\$ 2,143,473	\$ 1,434,962	\$ 2,750,759	\$ 2,698,227	\$ 4,894,232	\$ 4,133,189
Restricted	72	72	2,344,485	2,091,280	2,344,557	2,091,352
Unrestricted	(3,134,079)	(4,687,529)	1,432,284	1,304,412	(1,701,795)	(3,383,117)
Total net position	<u>\$ (990,534)</u>	<u>\$ (3,252,495)</u>	<u>\$ 6,527,528</u>	<u>\$ 6,093,919</u>	<u>\$ 5,536,994</u>	<u>\$ 2,841,424</u>

Analysis of Net Position

The largest portion of the State’s net position (\$4.9 billion or 88.4%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State’s net position (\$2.3 billion or 42.3%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$1.7 billion or 30.7% represents unrestricted net position.

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At June 30, 2025, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's net other postemployment benefit liability of \$3.7 billion and net pension liability of \$7.2 billion.

Changes in Net Position

The State's net position increased by \$3.0 billion, or 104.9%, during the fiscal year ended June 30, 2025. Approximately 54.2% of the State's total revenues came from taxes, while 27.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 17.9% of the total revenues. The State's expenses cover a range of services. The largest expenses were for welfare, higher and lower education, general government, health, and public safety.

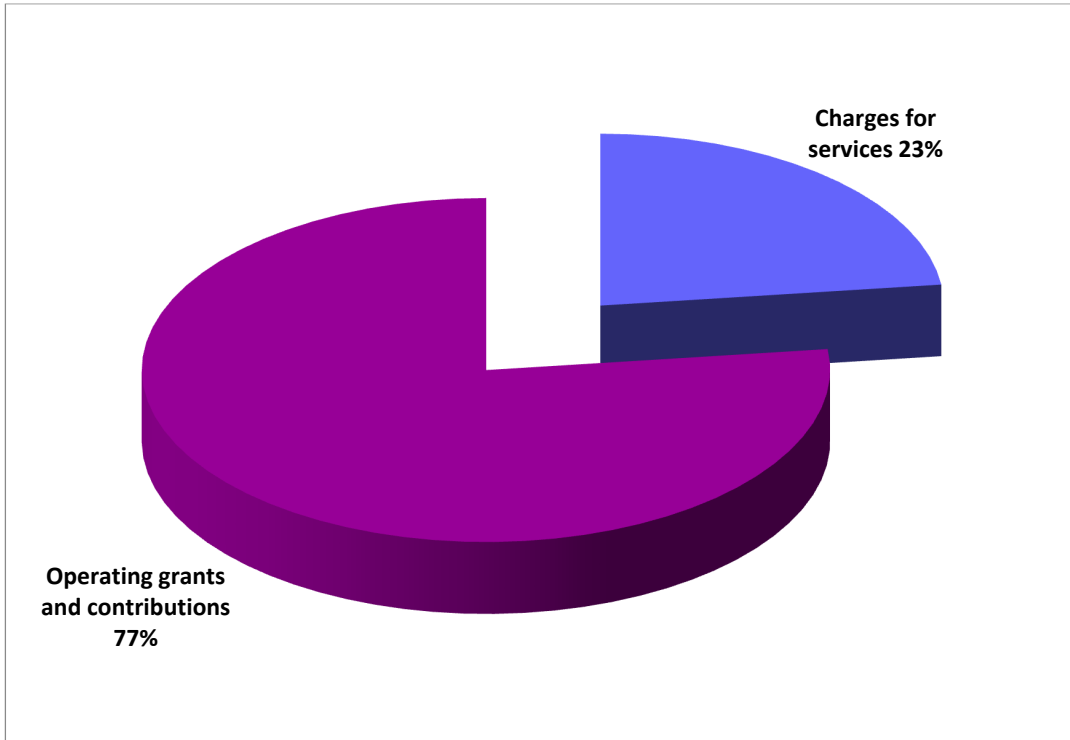
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
(Amounts in thousands)

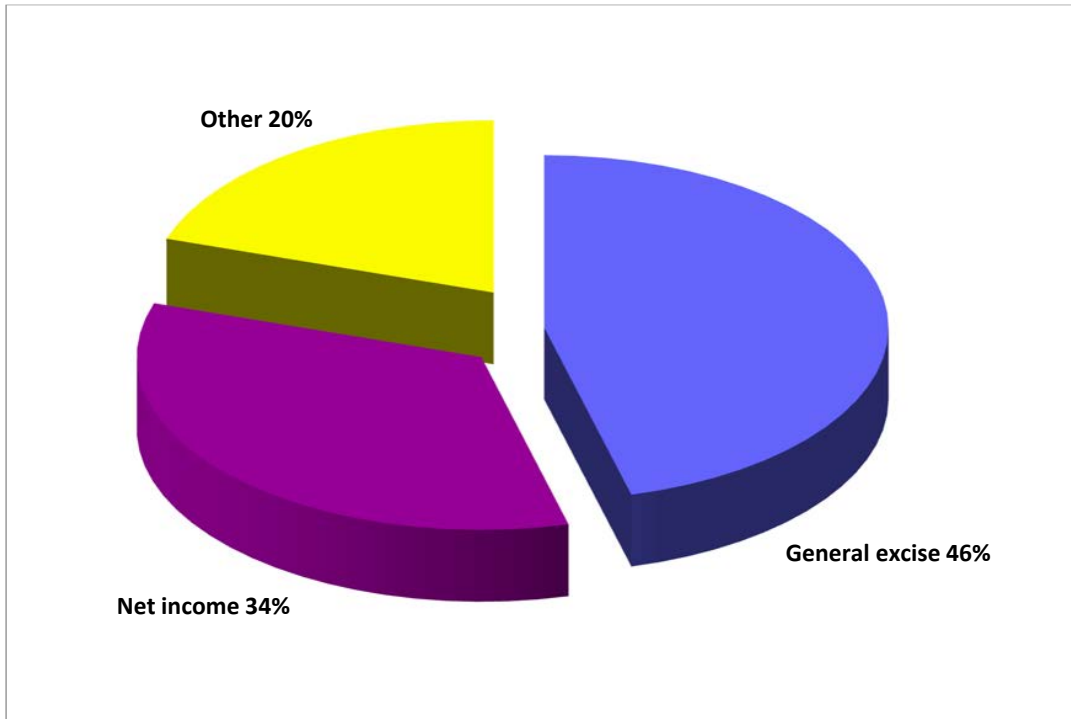
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 1,602,736	\$ 879,441	\$ 1,347,458	\$ 1,410,276	\$ 2,950,194	\$ 2,289,717
Operating grants and contributions	5,350,239	5,521,905	3,133	30,670	5,353,372	5,552,575
Capital grants and contributions	-	-	205,708	143,689	205,708	143,689
General revenues						
Taxes	10,815,188	10,413,496	-	-	10,815,188	10,413,496
Investment income and other	496,658	393,747	124,690	107,419	621,348	501,166
Total revenues	<u>18,264,821</u>	<u>17,208,589</u>	<u>1,680,989</u>	<u>1,692,054</u>	<u>19,945,810</u>	<u>18,900,643</u>
Expenses						
General government	1,241,306	1,546,229	-	-	1,241,306	1,546,229
Public safety	1,060,417	1,156,995	-	-	1,060,417	1,156,995
Highways	629,582	565,343	-	-	629,582	565,343
Conservation of natural resources	228,594	174,301	-	-	228,594	174,301
Health	1,242,850	1,263,956	-	-	1,242,850	1,263,956
Welfare	4,861,555	4,946,304	-	-	4,861,555	4,946,304
Lower education	3,976,645	4,187,868	-	-	3,976,645	4,187,868
Higher education	1,194,175	1,148,250	-	-	1,194,175	1,148,250
Other education	26,864	20,058	-	-	26,864	20,058
Culture and recreation	186,847	148,600	-	-	186,847	148,600
Urban redevelopment and housing	439,369	544,891	-	-	439,369	544,891
Economic development and assistance	351,284	427,437	-	-	351,284	427,437
Interest expense	301,283	282,467	-	-	301,283	282,467
Airports	-	-	764,773	710,430	764,773	710,430
Harbors	-	-	117,455	101,410	117,455	101,410
Unemployment compensation	-	-	172,300	249,959	172,300	249,959
Nonmajor proprietary funds	-	-	169,651	159,082	169,651	159,082
Total expenses	<u>15,740,771</u>	<u>16,412,699</u>	<u>1,224,179</u>	<u>1,220,881</u>	<u>16,964,950</u>	<u>17,633,580</u>
Change in net position	<u>2,524,050</u>	<u>795,890</u>	<u>456,810</u>	<u>471,173</u>	<u>2,980,860</u>	<u>1,267,063</u>
Net position						
Beginning of year, as previously reported	(3,252,495)	(4,048,385)	6,093,919	5,622,746	2,841,424	1,574,361
Adjustment for change in accounting principle	(546,839)	-	(23,201)	-	(570,040)	-
Adjustment for change in reporting entity	284,750	-	-	-	284,750	-
Beginning of year, as restated	<u>(3,514,584)</u>	<u>(4,048,385)</u>	<u>6,070,718</u>	<u>5,622,746</u>	<u>2,556,134</u>	<u>1,574,361</u>
End of year	<u>\$ (990,534)</u>	<u>\$ (3,252,495)</u>	<u>\$ 6,527,528</u>	<u>\$ 6,093,919</u>	<u>\$ 5,536,994</u>	<u>\$ 2,841,424</u>

The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2025



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2025



Analysis of Changes in Net Position

The State's net position increased by \$3.0 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to increases in net position of governmental activities of \$2.5 billion, Airports of \$180.2 million, Harbors of \$132.0 million, Unemployment Compensation Fund of \$108.5 million, and Nonmajor Proprietary Funds of \$36.0 million.

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Governmental Activities

Governmental activities increased the State's net position by \$2.5 billion. The elements of this increase are reflected below:

	Governmental Activities	
	(Amounts in thousands)	
	2025	2024
General revenues		
Taxes	\$ 10,815,188	\$ 10,413,496
Interest and investment income and other	496,658	393,747
Total general revenues	<u>11,311,846</u>	<u>10,807,243</u>
Expenses, net of program revenues		
General government	2,360	1,025,730
Public safety	576,500	710,501
Highways	303,019	282,677
Conservation of natural resources	57,651	(31,916)
Health	832,722	885,043
Welfare	1,374,944	1,313,188
Lower education	3,454,240	3,487,571
Higher education	1,193,566	1,147,852
Other education	26,864	20,058
Culture and recreation	171,419	133,499
Urban redevelopment and housing	331,583	468,360
Economic development and assistance	161,645	286,323
Interest expense	<u>301,283</u>	<u>282,467</u>
Total governmental activities expenses, net of program revenues	<u>8,787,796</u>	<u>10,011,353</u>
Increase in governmental activities, net position	<u>\$ 2,524,050</u>	<u>\$ 795,890</u>

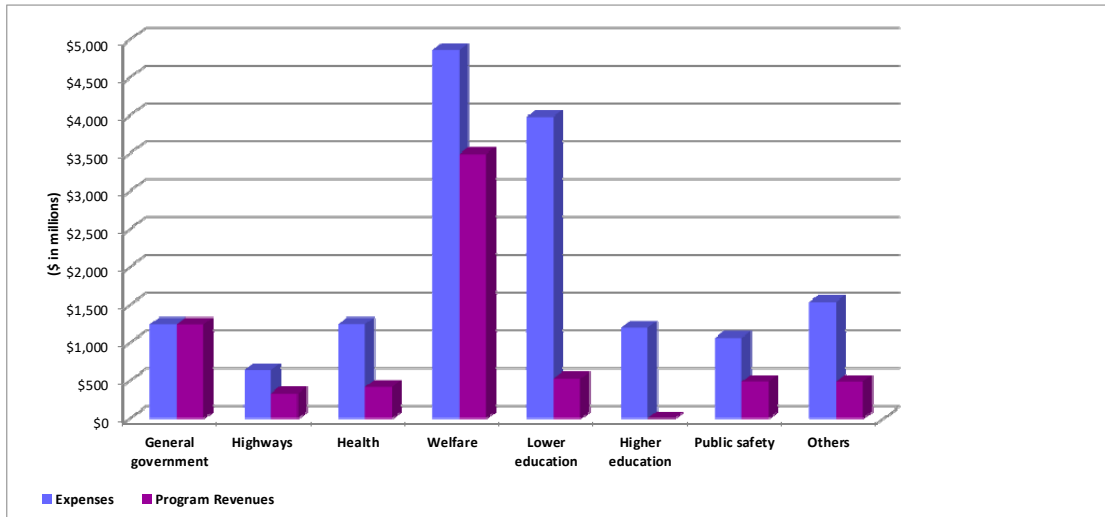
Tax revenues increased by \$401.7 million, or 3.9%, from the previous fiscal year. The increase was primarily due to an increase in other taxes of \$357.1 million.

Expenses, net of program revenues decreased by \$1.2 billion mainly due to the decrease in program expenses of \$671.9 million, and an increase of charges for services and operating grants and contributions of \$551.6 million. The largest variances were general government, lower education, public safety, and urban development and housing.

State of Hawaii
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A comparison of the cost of services by function of the State’s governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

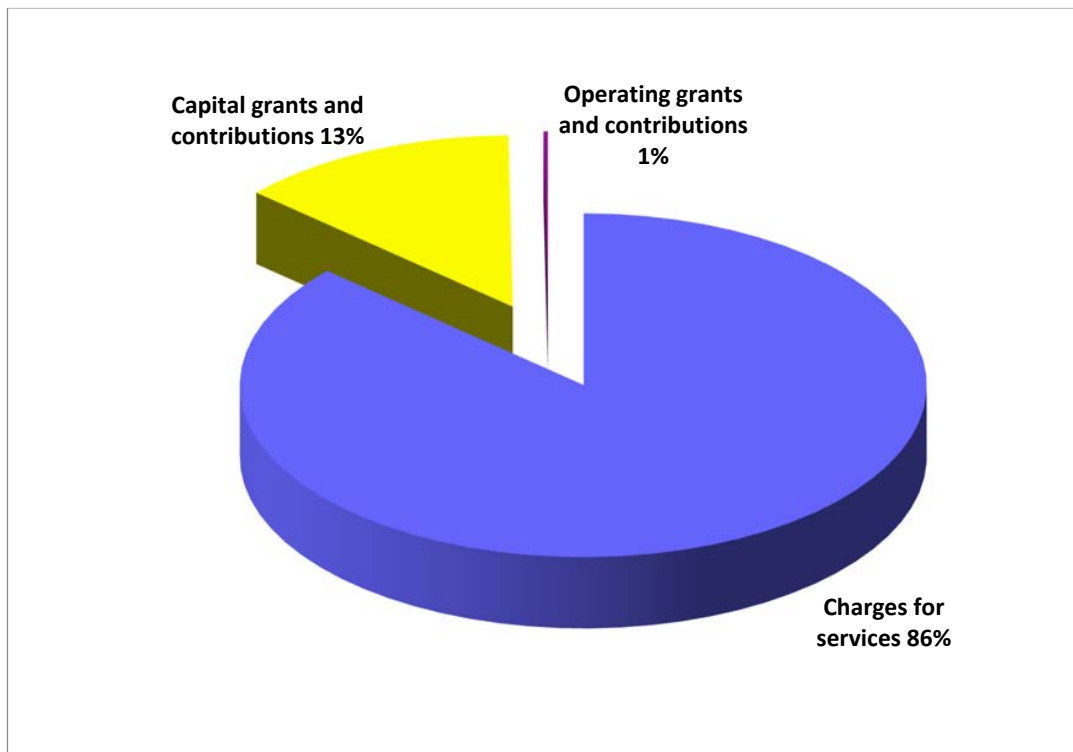
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2025



Business-Type Activities

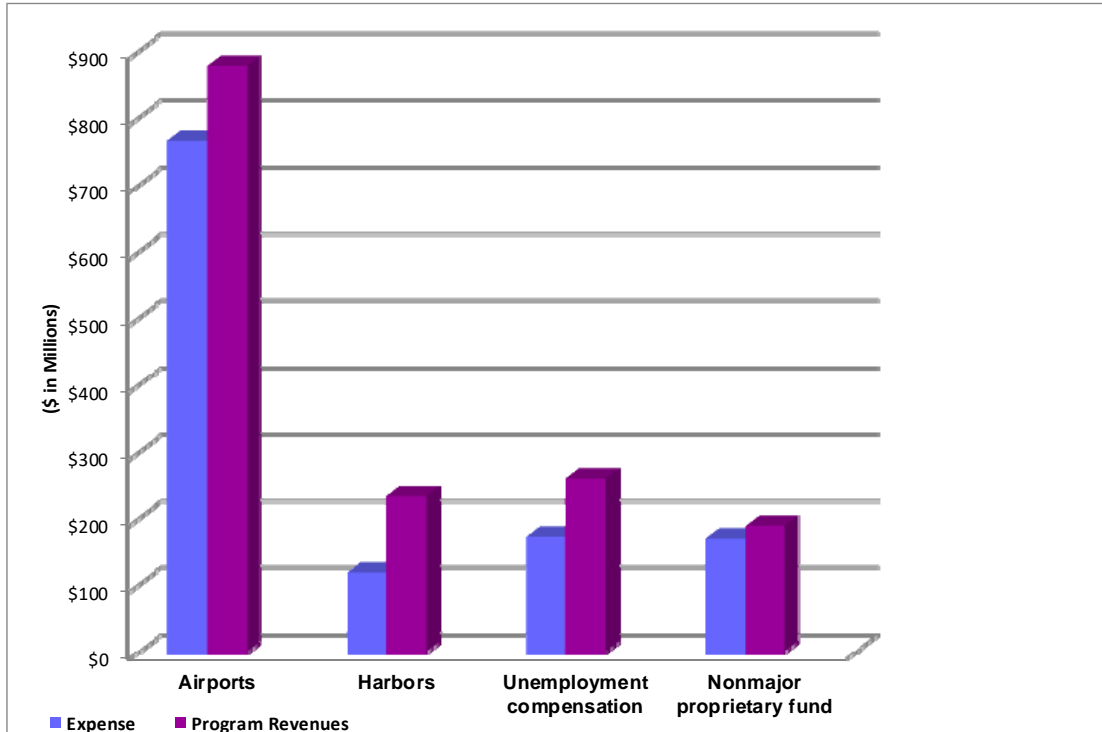
The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source – Business-Type Activities
Fiscal Year Ended June 30, 2025



State of Hawaii
Management’s Discussion and Analysis (Unaudited)
June 30, 2025

Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2025



Business-type activities increased the State’s net position by \$456.8 million in fiscal 2025, compared to an increase of \$471.2 million in fiscal 2024. Key elements of this increase are as follows:

- Airports’ net position increased \$180.2 million compared to an increase of \$147.8 million in fiscal 2024. Operating revenues increased by \$37.0 million due to an increase in passenger traffic.
- Harbors’ net position increased \$132.0 million in fiscal 2025 compared to an increase of \$122.9 million in fiscal 2024. Charges for current services increased by \$2.8 million due to increased Wharfage revenues and tariff rates.
- The Unemployment Compensation Fund’s net position increased \$108.5 million compared to an increase of \$173.9 million in the prior fiscal year. The change was primarily due to a decrease of unemployment collections and benefits paid of \$138.0 million and \$77.7 million, respectively.
- The Nonmajor Proprietary Fund’s net position increased \$36.0 million in fiscal 2025 compared to an increase of \$26.5 million in fiscal 2024.

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- Key elements of the State’s business-type activities for the fiscal years ended June 30, 2025 and 2024 are as follows:

	Business-Type Activities (Amounts in thousands)									
	Program Revenues								Program Revenues	
	Operating and Capital				Total		Expenses		Net of Expenses	
	Charges for Services		Grants and Contributions							
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Airports	\$ 731,902	\$ 679,027	\$ 145,499	\$ 109,016	\$ 877,401	\$ 788,043	\$ 764,773	\$ 710,430	\$ 112,628	\$ 77,613
Harbors	225,676	222,890	6,724	1,449	232,400	224,339	117,455	101,410	114,945	122,929
Unemployment compensation	254,982	392,995	3,133	15,042	258,115	408,037	172,300	249,959	85,815	158,078
Nonmajor proprietary funds	134,898	115,364	53,485	48,852	188,383	164,216	169,651	159,082	18,732	5,134
Total	\$ 1,347,458	\$ 1,410,276	\$ 208,841	\$ 174,359	\$ 1,556,299	\$ 1,584,635	\$ 1,224,179	\$ 1,220,881	\$ 332,120	\$ 363,754

Financial Analysis of the State’s Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State’s Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the State’s financing requirements. The fund balance classifications comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent.

At the end of the fiscal year, the State’s Governmental Funds reported combined ending fund balances of \$8.9 billion. Of this amount, \$72 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$662.8 million has been committed to specific purposes and \$6.4 billion has been assigned to specific purposes by management. The unassigned fund balance was \$1.9 billion at fiscal year-end.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was \$4.2 billion compared to \$3.6 billion previously reported at June 30, 2024. This increase is mainly due to increases from tax revenues, intergovernmental revenues and other income. The fund balance of the State’s Capital Projects Fund decreased \$307.1 million during the fiscal year. The Capital Projects Fund decrease is a result of expenditures in excess of proceeds from general obligation bond issuances. The fund balance of the Med-Quest Special Revenue Fund increased \$2.4 million compared to the previous year due to fewer Med-Quest benefits enrollments. The fund balance of the Administrative Support Special Revenue Fund increased by \$857.4 million as a result of an increase in revenues from private sources. The fund balance of the Natural Resources Special Revenue Fund increased by \$36.3 million mainly due to an increase in fair value of investments held and inter-governmental revenues resulting from significant increase in grants and awards received. The fund balance of the Hawaiian Programs Special Revenue Fund increased by \$241.6 million, mainly due to the transfer of \$226.1 million from the General Fund. The fund balance of the other Nonmajor Governmental Funds increased \$71.5 million, due to increases from tax revenues, charges for services, and an increase in fair value of investments held.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2025

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of \$180.2 million, Harbors had an increase in net position of \$132.0 million, the Unemployment Compensation Fund had an increase in net position of \$108.5 million, and the Nonmajor Proprietary Funds had an increase in net position of \$36.0 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues on a budgetary basis were \$209.0 million, or 1.9% more than the final budget. The positive variance was attributed to favorable non-tax revenues of \$253.6 million offset by unfavorable tax revenues of \$44.6 million. The favorable variance in non-tax revenues is mainly comprised of interest and investment income, charges for current services, and other collections.

The difference between the final budget and actual expenditures on a budgetary basis was \$745.9 million. The difference is mostly due to the Budget and Finance variance of \$382.3 million and Human Services variance of \$100.7 million. The Budget and Finance variance is mostly due to \$201.6 million from savings in reductions to debt service payments. Also contributing to the variance was \$77.2 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans. The Human Services variance is mostly due to \$103.6 million lapsed at the end of the fiscal year 2025. Spending restrictions imposed on all executive branch departments resulted in positive variances across most departments.

Capital Assets

The State's capital assets for its governmental and business-type activities as of June 30, 2025 amounted to \$17.0 billion (net of accumulated depreciation of \$17.6 billion), an increase of \$776.0 million from June 30, 2024. The increase is due to net additions in governmental activities capital assets of \$876.5 million and in business-type capital assets of \$454.3 million, offset by increases in governmental activities and business-type activities accumulated depreciation and amortization of \$503.3 million and \$241.2 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2025, included the following:

- \$627.6 million for various capital improvements at airports statewide.
- \$127.2 million for various building improvement projects throughout the State.
- \$562.3 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- \$191.0 million for various highway improvement projects throughout the State.

Additional information on the State's capital assets can be found in Note 3 to the basic financial statements.

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
June 30, 2025

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$12.6 billion. Of this amount, \$8.9 billion comprises debt backed by the full faith and credit of the State and \$3.7 billion is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State’s total long-term debt is shown below:

Long-Term Debt
June 30, 2025 and 2024
(Amounts in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
General obligation bonds	\$ 8,888,440	\$ 8,954,554	\$ 5,154	\$ 8,131	\$ 8,893,594	\$ 8,962,685
Revenue bonds	548,160	599,743	3,174,409	2,597,661	3,722,569	3,197,404
Financed purchases	72,959	82,180	138,692	159,976	211,651	242,156
Leases	60,320	66,171	600	769	60,920	66,940
Subscriptions payable	44,049	37,500	2,478	2,993	46,527	40,493
Total	<u>\$ 9,613,928</u>	<u>\$ 9,740,148</u>	<u>\$ 3,321,333</u>	<u>\$ 2,769,530</u>	<u>\$ 12,935,261</u>	<u>\$ 12,509,678</u>

The State’s total long-term debt increased by \$425.6 million, or 3.4%, during the current fiscal year. The increase is primarily due to issuances of taxable general obligation bonds and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2025, the State’s underlying general obligation bond ratings were Moody’s Investors Service (Aa2), Standard and Poor’s Corporation (AA+), and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2025 was \$882.1 million.

Additional information on the State’s long-term debt can be found in Notes 4, 5 and 6 to the basic financial statements.

Economic Factors and Next Year’s Budget

The statewide seasonally adjusted unemployment rate for November 2025 was 2.2%, which is 0.8% lower compared to 3.0% one year prior. The seasonally adjusted national unemployment rate was 4.5% for November 2025, which is 0.3% higher compared to 4.2% one year prior.

The Council of Revenues in September 2025 revised the State’s General Fund tax revenue growth rate for fiscal year 2026 from negative 3.5% to negative 4.7% because of the significant tax relief legislation passed in the 2024 Legislature. The Council also revised the General Fund tax revenue growth rate for fiscal year 2027 to 2.0%, 1.9% for fiscal 2028, 2.5% for fiscal year 2029, 1.8% for fiscal year 2030, 3.1% for fiscal year 2031, and 3.4% for fiscal year 2032.

Cumulative general fund tax revenues for the first five months of fiscal year 2026 was \$3.8 billion, a decrease of \$444.8 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue, increased 7.3%. The collections of individual income tax are down 15.4%, while transient accommodations tax collections are up 2.2% from last year.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2025

A recovery of tourists on the island of Maui in the wake of the 2023 fires, an expected gradual return of Japanese visitors, a strong construction outlook, and the stimulative effects coming from the anticipated cuts to the Federal Reserve's benchmark rate make for a more favorable economic outlook for the State in the coming years. These developments will provide a temporary boost to revenue growth in the next two years, after which revenue growth will gradually revert to its long-term average rate.

The State will continue to monitor economic conditions that may affect revenues and expenditures, including the potential for decreases in federal funding. The State continues to evaluate opportunities to diversify revenue sources and improve operational efficiencies to mitigate the impact of potential reductions in federal support while preserving essential public services.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website: <http://www.hawaii.gov>.

BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,819,518	\$ 1,858,116	\$ 3,677,634	\$ 1,445,545
Receivables				
Taxes	593,568	63,434	657,002	-
Accounts and accrued interest, net	122,987	134,575	257,562	351,071
Notes, loans, mortgages and contributions, net	201,449	762,672	964,121	1,334,754
Federal government	21,210	33,426	54,636	1,519
Premiums	-	45,837	45,837	-
Drug rebate	253,137	-	253,137	-
Settlement	33,507	-	33,507	-
Other, net	14,109	31,790	45,899	22,942
Total receivables	<u>1,239,967</u>	<u>1,071,734</u>	<u>2,311,701</u>	<u>1,710,286</u>
Internal balances	1,617	(1,617)	-	-
Due from component units	6,120	-	6,120	-
Due from primary government	-	-	-	1,198,764
Due from other governments	250	-	250	-
Investments	8,632,780	185,405	8,818,185	2,094,276
Inventories				
Materials and supplies	-	737	737	44,147
Developments in progress and dwelling units	-	-	-	34,662
Total inventories	<u>-</u>	<u>737</u>	<u>737</u>	<u>78,809</u>
Restricted assets	-	1,868,769	1,868,769	211,894
Other assets				
Prepaid expenses	14,629	5,050	19,679	46,782
Leases receivable	801,606	416,408	1,218,014	37,254
Restricted pledge	-	-	-	17,406
Other	-	1,448	1,448	94,873
Total other assets	<u>816,235</u>	<u>422,906</u>	<u>1,239,141</u>	<u>196,315</u>
Capital assets				
Land and land improvements	2,608,866	3,195,653	5,804,519	545,020
Infrastructure	11,450,548	-	11,450,548	395,881
Construction in progress	1,856,730	1,599,356	3,456,086	417,736
Buildings, improvements and equipment	8,641,626	5,024,607	13,666,233	5,812,101
Intangible assets – software	168,162	-	168,162	-
Subscription assets	94,481	3,974	98,455	50,470
Accumulated depreciation and amortization	(13,504,470)	(4,140,046)	(17,644,516)	(3,743,817)
Total capital assets, net	<u>11,315,943</u>	<u>5,683,544</u>	<u>16,999,487</u>	<u>3,477,391</u>
Total assets	<u>23,832,430</u>	<u>11,089,594</u>	<u>34,922,024</u>	<u>10,413,280</u>
Deferred outflows of resources				
Deferred asset retirement obligations	-	-	-	31,646
Deferred loss on refunding	56,585	4,834	61,419	6,191
Deferred outflows on net pension liability	1,171,424	43,963	1,215,387	341,241
Deferred outflows on net other postemployment benefits liability	595,945	29,627	625,572	263,860
Total deferred outflows of resources	<u>\$ 1,823,954</u>	<u>\$ 78,424</u>	<u>\$ 1,902,378</u>	<u>\$ 642,938</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Vouchers and contracts payable	\$ 541,462	\$ 74,249	\$ 615,711	\$ 216,746
Other accrued liabilities	560,024	218,237	778,261	151,386
Advance from federal government	67,068	-	67,068	-
Due to federal government	251,980	-	251,980	-
Due to component units	1,198,764	-	1,198,764	-
Due to primary government	-	-	-	6,120
Unearned revenue	-	-	-	32,058
Premiums payable	-	52,994	52,994	-
Other	120,911	-	120,911	36,812
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	63,362	63,362	-
General obligation (GO) bonds payable	815,835	3,125	818,960	-
Notes, mortgages and installment contracts payable	-	-	-	10,636
Compensated absences	230,073	11,309	241,382	114,561
Revenue bonds payable, net	52,702	-	52,702	27,492
Reserve for losses and loss adjustment costs	40,973	3,414	44,387	7,789
Leases payable	12,702	198	12,900	112
Subscriptions payable	15,190	535	15,725	8,207
Financed purchases	10,029	1,687	11,716	5,006
Lease revenue certificates of participation	-	20,755	20,755	-
Customer facility charge revenue bonds	-	11,370	11,370	-
Due in more than one year				
GO bonds payable	8,072,605	2,029	8,074,634	-
Notes, mortgages and installment contracts payable	-	-	-	115,130
Compensated absences	638,400	31,409	669,809	188,692
Revenue bonds payable, net	495,458	3,099,677	3,595,135	370,277
Reserve for losses and loss adjustment costs	320,462	14,040	334,502	27,408
Leases payable	47,618	402	48,020	285
Subscriptions payable	28,859	1,943	30,802	16,654
Financed purchases	62,930	16,502	79,432	12,977
Lease revenue certificates of participation	-	99,748	99,748	-
Unearned revenue	-	-	-	38,794
Net pension liability	7,242,461	232,632	7,475,093	2,349,103
Net other postemployment benefits liability	3,652,472	163,338	3,815,810	1,772,435
Security deposits	-	9,314	9,314	-
Other	334	1,783	2,117	104,246
Total liabilities	<u>24,479,312</u>	<u>4,134,052</u>	<u>28,613,364</u>	<u>5,612,926</u>
Deferred inflows of resources				
Deferred inflows on leases	754,980	434,753	1,189,733	55,386
Deferred inflows on net pension liability	99,999	18,505	118,504	80,023
Deferred inflows on net other postemployment benefits liability	1,312,627	40,099	1,352,726	360,618
Deferred gain on refunding	-	13,081	13,081	-
Total deferred inflows of resources	<u>2,167,606</u>	<u>506,438</u>	<u>2,674,044</u>	<u>496,027</u>
Net position				
Net investment in capital assets	2,143,473	2,750,759	4,894,232	2,931,815
Restricted for bond requirements and other	72	2,344,485	2,344,557	1,898,688
Unrestricted	(3,134,079)	1,432,284	(1,701,795)	116,762
Total net position	<u>\$ (990,534)</u>	<u>\$ 6,527,528</u>	<u>\$ 5,536,994</u>	<u>\$ 4,947,265</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Activities
Year Ended June 30, 2025
(Amounts in thousands)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities								
General government	\$ 1,241,306	\$ 954,586	\$ 284,360	\$ -	\$ (2,360)	\$ -	\$ (2,360)	
Public safety	1,060,417	112,345	371,572	-	(576,500)	-	(576,500)	
Highways	629,582	12,890	313,673	-	(303,019)	-	(303,019)	
Conservation of natural resources	228,594	95,818	75,125	-	(57,651)	-	(57,651)	
Health	1,242,850	184,272	225,856	-	(832,722)	-	(832,722)	
Welfare	4,861,555	134,780	3,351,831	-	(1,374,944)	-	(1,374,944)	
Lower education	3,976,645	28,654	493,751	-	(3,454,240)	-	(3,454,240)	
Higher education	1,194,175	605	4	-	(1,193,566)	-	(1,193,566)	
Other education	26,864	-	-	-	(26,864)	-	(26,864)	
Culture and recreation	186,847	893	14,535	-	(171,419)	-	(171,419)	
Urban redevelopment and housing	439,369	35,615	72,171	-	(331,583)	-	(331,583)	
Economic development and assistance	351,284	42,278	147,361	-	(161,645)	-	(161,645)	
Interest expense	301,283	-	-	-	(301,283)	-	(301,283)	
Total governmental activities	<u>15,740,771</u>	<u>1,602,736</u>	<u>5,350,239</u>	<u>-</u>	<u>(8,787,796)</u>	<u>-</u>	<u>(8,787,796)</u>	
Business-type activities								
Airports	764,773	731,902	-	145,499	-	112,628	112,628	
Harbors	117,455	225,676	-	6,724	-	114,945	114,945	
Unemployment compensation	172,300	254,982	3,133	-	-	85,815	85,815	
Nonmajor proprietary funds	169,651	134,898	-	53,485	-	18,732	18,732	
Total business-type activities	<u>1,224,179</u>	<u>1,347,458</u>	<u>3,133</u>	<u>205,708</u>	<u>-</u>	<u>332,120</u>	<u>332,120</u>	
Total primary government	<u>\$ 16,964,950</u>	<u>\$ 2,950,194</u>	<u>\$ 5,353,372</u>	<u>\$ 205,708</u>	<u>(8,787,796)</u>	<u>332,120</u>	<u>(8,455,676)</u>	
Component units								
University of Hawaii	\$ 2,061,739	\$ 389,425	\$ 660,155	\$ -				\$ (1,012,159)
Hawaii Housing Finance and Development Corporation	29,416	12,692	77,165	-				60,441
Hawaii Public Housing Authority	229,079	32,978	165,832	5,713				(24,556)
Hawaii Health Systems Corporation	946,769	788,465	3,964	146,871				(7,469)
Hawaii Community Development Authority	7,846	4,685	-	-				(3,161)
Hawaii Hurricane Relief Fund	564	-	-	-				(564)
Total component units	<u>\$ 3,275,413</u>	<u>\$ 1,228,245</u>	<u>\$ 907,116</u>	<u>\$ 152,584</u>				<u>(987,468)</u>
General revenues								
Taxes								
General excise tax					4,967,728	-	4,967,728	-
Net income tax – corporations and individuals					3,691,274	-	3,691,274	-
Public service companies tax					154,478	-	154,478	-
Transient accommodations tax					810,721	-	810,721	-
Tobacco and liquor tax					122,247	-	122,247	-
Liquid fuel tax					77,562	-	77,562	-
Tax on premiums of insurance companies					222,126	-	222,126	-
Vehicle weight and registration tax					149,027	-	149,027	-
Rental motor/tour vehicle surcharge tax					117,981	-	117,981	-
Franchise tax					10,296	-	10,296	-
Other tax					491,748	-	491,748	-
Interest and dividend income					287,883	122,170	410,053	178,298
Net increase in fair value of investments					181,272	-	181,272	-
Payments from the primary government, net					-	-	-	1,722,762
Gifts and subsidies					-	-	-	53,664
Other					27,503	2,520	30,023	85,088
Total general revenues					<u>11,311,846</u>	<u>124,690</u>	<u>11,436,536</u>	<u>2,039,812</u>
Change in net position					<u>2,524,050</u>	<u>456,810</u>	<u>2,980,860</u>	<u>1,052,344</u>
Net position								
Beginning of year, as previously reported					(3,252,495)	6,093,919	2,841,424	4,291,679
Adjustment for change in accounting principle					(546,839)	(23,201)	(570,040)	(112,008)
Adjustment for change in reporting entity					284,750	-	284,750	(284,750)
Beginning of year, as restated					<u>(3,514,584)</u>	<u>6,070,718</u>	<u>2,556,134</u>	<u>3,894,921</u>
End of year					<u>\$ (990,534)</u>	<u>\$ 6,527,528</u>	<u>\$ 5,536,994</u>	<u>\$ 4,947,265</u>

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2025
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 587,502	\$ 103,885	\$ 30,064	\$ 432,626	\$ 45,116	\$ 81,203	\$ 539,122	\$ 1,819,518
Receivables								
Taxes	397,310	-	-	-	-	-	-	397,310
Notes and loans, net of allowance for doubtful accounts of \$38,056	13,117	-	-	-	16,826	100,167	71,339	201,449
Federal government	-	-	-	-	-	-	21,210	21,210
Drug rebate	-	-	253,137	-	-	-	-	253,137
Lease	-	-	-	750	359,010	404,623	37,223	801,606
Settlement	-	-	-	-	-	-	33,507	33,507
Other	25,996	-	3,169	40,157	9,653	19,034	24,978	122,987
Due from other funds	256,274	-	59,699	51,281	-	-	69	367,323
Due from proprietary funds	20	1,597	-	-	-	-	-	1,617
Due from component units	6,000	-	-	120	-	-	-	6,120
Due from other governments	-	-	-	250	-	-	-	250
Investments	3,759,106	287,869	180,722	2,290,031	271,195	480,298	1,363,559	8,632,780
Total assets	<u>\$ 5,045,325</u>	<u>\$ 393,351</u>	<u>\$ 526,791</u>	<u>\$ 2,815,215</u>	<u>\$ 701,800</u>	<u>\$ 1,085,325</u>	<u>\$ 2,091,007</u>	<u>\$ 12,658,814</u>
Liabilities								
Vouchers and contracts payable	\$ 201,913	\$ 171,236	\$ 13,474	\$ 10,454	\$ 9,312	\$ 7,917	\$ 127,156	\$ 541,462
Other accrued liabilities	400,422	-	92,841	4,567	2,263	-	59,931	560,024
Advance from federal government	-	-	-	67,068	-	-	-	67,068
Due to federal government	-	-	251,980	-	-	-	-	251,980
Due to other funds	59,768	26,655	146,471	-	1,900	-	132,529	367,323
Due to component units	179,553	1,019,211	-	-	-	-	-	1,198,764
Payable from restricted assets								
Matured bonds and interest payable	-	-	-	-	-	-	332	332
Total liabilities	<u>841,656</u>	<u>1,217,102</u>	<u>504,766</u>	<u>82,089</u>	<u>13,475</u>	<u>7,917</u>	<u>319,948</u>	<u>2,986,953</u>
Deferred inflows of resources								
Deferred inflows on leases	-	-	-	684	338,227	380,647	35,422	754,980
Deferred inflows on unavailable revenues	-	-	-	-	-	-	33,507	33,507
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>684</u>	<u>338,227</u>	<u>380,647</u>	<u>68,929</u>	<u>788,487</u>
Fund balances								
Restricted	-	-	-	-	-	-	72	72
Committed	-	-	-	537,819	32,662	-	92,352	662,833
Assigned	1,512,789	-	22,025	2,194,623	317,436	696,761	1,609,706	6,353,340
Unassigned	2,690,880	(823,751)	-	-	-	-	-	1,867,129
Total fund balances	<u>4,203,669</u>	<u>(823,751)</u>	<u>22,025</u>	<u>2,732,442</u>	<u>350,098</u>	<u>696,761</u>	<u>1,702,130</u>	<u>8,883,374</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,045,325</u>	<u>\$ 393,351</u>	<u>\$ 526,791</u>	<u>\$ 2,815,215</u>	<u>\$ 701,800</u>	<u>\$ 1,085,325</u>	<u>\$ 2,091,007</u>	<u>\$ 12,658,814</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2025
(Amounts in thousands)

Total fund balance – Governmental funds	\$ 8,883,374
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land and land improvements	2,608,866
Infrastructure	11,450,548
Construction in progress	1,856,730
Buildings, improvements and equipment	8,641,626
Intangible assets – software	168,162
Subscription assets	94,481
Accumulated depreciation and amortization	<u>(13,504,470)</u>
	<u>11,315,943</u>
Accrued interest and other payables are not recognized in governmental funds.	<u>(117,133)</u>
Other assets and liabilities are not available to pay or be used for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables.	<u>255,057</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(8,888,440)
Compensated absences	(868,473)
Revenue bonds payable	(548,160)
Reserve for losses and loss adjustment costs	(361,435)
Leases payable	(60,320)
Subscriptions payable	(44,049)
Net other postemployment benefits liability	(3,652,472)
Net pension liability	(7,242,461)
Financed purchases	(72,959)
Other	<u>(334)</u>
	<u>(21,739,103)</u>
Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	56,585
Deferred outflows on net pension liability	1,171,424
Deferred outflows on other postemployment benefits liability	<u>595,945</u>
	<u>1,823,954</u>
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of	
Deferred inflows on net pension liability	(99,999)
Deferred inflows on other postemployment benefits liability	<u>(1,312,627)</u>
	<u>(1,412,626)</u>
Net position of governmental activities	<u>\$ (990,534)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes								
General excise tax	\$ 4,600,173	\$ -	\$ -	\$ 357,887	\$ -	\$ -	\$ -	\$ 4,958,060
Net income tax – corporations and individuals	3,677,474	-	-	-	-	-	-	3,677,474
Public service companies tax	154,478	-	-	-	-	-	-	154,478
Transient accommodations tax	717,246	-	-	78,758	4,500	-	11,000	811,504
Tobacco and liquor tax	107,071	-	-	1,059	-	-	14,117	122,247
Liquid fuel tax	-	-	-	-	228	-	77,334	77,562
Tax on premiums of insurance companies	218,833	-	-	-	-	-	3,293	222,126
Vehicle weight and registration tax	-	-	-	-	-	-	149,027	149,027
Rental motor/vehicle surcharge tax	3	-	-	-	-	-	117,978	117,981
Franchise tax	8,296	-	-	-	-	-	2,000	10,296
Other	480,531	-	-	-	5,100	-	6,128	491,759
Total taxes	9,964,105	-	-	437,704	9,828	-	380,877	10,792,514
Interest and dividend income	167,213	1,565	3,170	63,230	5,720	16,836	30,149	287,883
Net increase in fair value of investments	12,735	-	6,946	71,849	11,565	12,263	65,914	181,272
Charges for current services	263,131	-	-	94,546	48,085	3,301	182,855	591,918
Intergovernmental	11,743	-	2,136,493	150,295	67,246	59,676	2,187,970	4,613,423
Rentals	77	-	-	1,159	18,220	29,304	17,872	66,632
Fines, forfeitures and penalties	13,704	-	-	119	90	-	11,606	25,519
Licenses and fees	847	-	-	197	1,362	-	52,895	55,301
Revenues from private sources	13,805	-	92,956	560,386	71	3,000	33,204	703,422
Other	159,946	-	210,199	159,161	7,405	12,494	347,552	896,757
Total revenues	10,607,306	1,565	2,449,764	1,538,646	169,592	136,874	3,310,894	18,214,641
Expenditures								
Current								
General government	685,101	74,661	-	505,281	6,416	-	42,489	1,313,948
Public safety	647,530	23,265	-	22,405	2,409	-	408,898	1,104,507
Highways	3,135	414,299	-	-	-	-	384,799	802,233
Conservation of natural resources	125,031	11,161	-	-	111,090	-	3,899	251,181
Health	926,738	64,958	-	-	-	-	297,428	1,289,124
Welfare	1,516,717	4,937	2,391,823	19,794	-	-	959,186	4,892,457
Lower education	3,352,597	243,272	-	4,680	-	-	737,050	4,337,599
Higher education	987,129	207,046	-	-	-	-	-	1,194,175
Other education	10,203	-	-	-	-	-	16,661	26,864
Culture and recreation	99,702	18,328	-	9,967	13,741	-	41,260	182,998
Urban redevelopment and housing	85,790	20,813	-	-	-	111,388	2,942	220,933
Economic development and assistance	204,798	74,892	-	-	5,485	-	126,997	412,172
Housing	62,283	236,556	-	-	-	-	-	298,839
Other	21,250	-	-	7,588	-	6,990	17,699	53,527
Debt service	-	-	-	-	-	-	1,156,265	1,156,265
Total expenditures	8,728,004	1,394,188	2,391,823	569,715	139,141	118,378	4,195,573	17,536,822
Excess (deficiency) of revenues over (under) expenditures	1,879,302	(1,392,623)	57,941	968,931	30,451	18,496	(884,679)	677,819
Other financing sources (uses)								
Issuance of GO bonds – par	-	750,000	-	-	-	-	-	750,000
Issuance of GO bonds – premium	2,032	-	-	-	-	-	-	2,032
Issuance of leases	8,442	-	-	-	-	-	-	8,442
Issuance of subscription assets	21,362	-	-	-	-	-	4,825	26,187
Transfers in	170,675	356,031	4,232	25,339	8,902	226,142	1,412,143	2,203,464
Transfers out	(1,519,512)	(20,546)	(59,731)	(136,869)	(3,015)	(3,009)	(460,782)	(2,203,464)
Total other financing sources (uses)	(1,317,001)	1,085,485	(55,499)	(111,530)	5,887	223,133	956,186	786,661
Net change in fund balances	562,301	(307,138)	2,442	857,401	36,338	241,629	71,507	1,464,480
Fund balances								
Beginning of year, as previously reported	3,636,236	(562,518)	19,583	1,875,041	313,760	455,132	1,574,519	7,311,753
Adjustment for change in reporting entity	5,132	45,905	-	-	-	-	56,104	107,141
Beginning of year, as restated	3,641,368	(516,613)	19,583	1,875,041	313,760	455,132	1,630,623	7,418,894
End of year	\$ 4,203,669	\$ (823,751)	\$ 22,025	\$ 2,732,442	\$ 350,098	\$ 696,761	\$ 1,702,130	\$ 8,883,374

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2025
(Amounts in thousands)

Total net change in fund balances – Governmental funds	<u>\$ 1,464,480</u>
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization expense.	
In the current period, these amounts are	
Capital asset additions	1,283,774
Capital asset disposals	(407,318)
Accumulated depreciation on disposals	39,253
Depreciation and amortization expense	<u>(542,573)</u>
Excess of capital outlay over depreciation expense	<u>373,136</u>
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.	
In the current period, this is the amount of proceeds received from general obligation and revenue bonds issued.	<u>(752,032)</u>
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
In the current year, these amounts consist of	
Bond principal retirement	814,898
Financed purchase payments	<u>9,221</u>
Total long-term debt repayment	<u>824,119</u>
Because some revenues will not be collected for several months after the State’s fiscal year-end, they are not considered available revenues and are deferred in the governmental funds.	<u>50,177</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in compensated absences	(35,923)
Change in reserve for losses and loss adjustment costs	2,629
Change in accrued interest on bonds payable	(1,667)
Change in leases payable	5,851
Change in subscriptions payable	(6,549)
Change in accrued interest on financed purchases	(1,383)
Amortization of bond premium and deferred amount on refunding	41,425
Net pension activity	68,225
Net other postemployment benefits activity	<u>491,562</u>
Total	<u>564,170</u>
Change in net position of governmental activities	<u>\$ 2,524,050</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2025
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 743,227	\$ 206,508	\$ 720,489	\$ 187,892	\$ 1,858,116
Investments	-	-	-	185,405	185,405
Restricted assets – cash and short-term investments	342,927	35,834	-	-	378,761
Receivables					
Taxes	253	-	63,181	-	63,434
Accounts and accrued interest, net of allowance for doubtful accounts of \$8,479	80,637	53,331	-	607	134,575
Promissory notes receivable	-	-	-	69,441	69,441
Federal government	32,874	-	-	552	33,426
Premiums	-	-	-	45,837	45,837
Leases	78,606	6,160	-	-	84,766
Other	-	12	-	31,778	31,790
Materials and supplies inventory	737	-	-	-	737
Prepaid expenses and other assets	-	-	-	5,050	5,050
Total current assets	<u>1,279,261</u>	<u>301,845</u>	<u>783,670</u>	<u>526,562</u>	<u>2,891,338</u>
Noncurrent assets					
Capital assets					
Land and land improvements	2,525,803	669,850	-	-	3,195,653
Construction in progress	1,015,342	584,014	-	-	1,599,356
Buildings and improvements	3,855,909	711,743	-	881	4,568,533
Equipment	395,671	37,417	-	22,986	456,074
Subscription assets	-	-	-	3,974	3,974
	7,792,725	2,003,024	-	27,841	9,823,590
Less: Accumulated depreciation and amortization	<u>(3,459,596)</u>	<u>(660,235)</u>	<u>-</u>	<u>(20,215)</u>	<u>(4,140,046)</u>
Net capital assets	4,333,129	1,342,789	-	7,626	5,683,544
Promissory notes receivable	-	-	-	693,231	693,231
Leases receivable	261,318	70,324	-	-	331,642
Restricted assets – cash and cash equivalents	639,040	470,775	-	-	1,109,815
Restricted assets – investments	341,214	-	-	-	341,214
Restricted assets – other	38,979	-	-	-	38,979
Other	1,448	-	-	-	1,448
Total noncurrent assets	<u>5,615,128</u>	<u>1,883,888</u>	<u>-</u>	<u>700,857</u>	<u>8,199,873</u>
Total assets	<u>6,894,389</u>	<u>2,185,733</u>	<u>783,670</u>	<u>1,227,419</u>	<u>11,091,211</u>
Deferred outflows of resources					
Deferred loss on refunding	4,370	464	-	-	4,834
Deferred outflows on net pension liability	37,867	2,601	-	3,495	43,963
Deferred outflows on net other postemployment benefits liability	23,192	4,321	-	2,114	29,627
Total deferred outflows of resources	<u>\$ 65,429</u>	<u>\$ 7,386</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>\$ 78,424</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2025
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Liabilities					
Current liabilities					
Vouchers and contracts payable	\$ 42,555	\$ 17,476	\$ 8,175	\$ 6,043	\$ 74,249
Payable from restricted assets –					
contracts payable, accrued interest, and other	141,367	27,249	-	-	168,616
Other accrued liabilities	38,678	-	-	1,506	40,184
Due to governmental funds	5	1,612	-	-	1,617
Benefit claims payable	-	-	-	9,437	9,437
General obligation bonds payable, current portion	-	3,125	-	-	3,125
Reserve for losses and loss adjustment costs	3,080	334	-	-	3,414
Leases payable, current portion	-	-	-	198	198
Subscriptions payable, current portion	-	-	-	535	535
Financed purchases	-	1,687	-	-	1,687
Lease revenue certificates of participation	20,755	-	-	-	20,755
Customer facility charge revenue bonds	11,370	-	-	-	11,370
Compensated absences, current portion	8,503	1,948	-	858	11,309
Payable from restricted assets – revenue bonds payable	43,410	19,952	-	-	63,362
Premiums payable	-	-	-	52,994	52,994
Total current liabilities	<u>309,723</u>	<u>73,383</u>	<u>8,175</u>	<u>71,571</u>	<u>462,852</u>
Noncurrent liabilities					
General obligation bonds payable	-	2,029	-	-	2,029
Compensated absences	24,323	4,605	-	2,481	31,409
Revenue bonds payable, net of unamortized bond premium and bond discount	2,787,294	312,383	-	-	3,099,677
Reserve for losses and loss adjustment cost	11,526	2,514	-	-	14,040
Leases payable	68	-	-	334	402
Subscriptions payable	-	-	-	1,943	1,943
Financed purchases	-	16,502	-	-	16,502
Lease revenue certificates of participation	99,748	-	-	-	99,748
Net pension liability	174,899	43,542	-	14,191	232,632
Net other postemployment benefits liability	126,045	27,793	-	9,500	163,338
Security deposits	-	9,314	-	-	9,314
Other	-	1,783	-	-	1,783
Total noncurrent liabilities	<u>3,223,903</u>	<u>420,465</u>	<u>-</u>	<u>28,449</u>	<u>3,672,817</u>
Total liabilities	<u>3,533,626</u>	<u>493,848</u>	<u>8,175</u>	<u>100,020</u>	<u>4,135,669</u>
Deferred inflows of resources					
Deferred inflows on leases	364,035	70,718	-	-	434,753
Deferred inflows on net pension liability	6,292	11,432	-	781	18,505
Deferred inflows on net other postemployment benefits liability	31,505	6,047	-	2,547	40,099
Deferred gain on refunding	13,081	-	-	-	13,081
Total deferred inflows of resources	<u>414,913</u>	<u>88,197</u>	<u>-</u>	<u>3,328</u>	<u>506,438</u>
Net position					
Net investment in capital assets	1,774,663	971,481	-	4,615	2,750,759
Restricted for bond requirements and other	917,256	481,830	-	945,399	2,344,485
Unrestricted	319,360	157,763	775,495	179,666	1,432,284
Net position	<u>\$ 3,011,279</u>	<u>\$ 1,611,074</u>	<u>\$ 775,495</u>	<u>\$ 1,129,680</u>	<u>\$ 6,527,528</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Operating revenues					
Concession fees	\$ 172,326	\$ -	\$ -	\$ -	\$ 172,326
Unemployment compensation	-	-	254,982	-	254,982
Aviation fuel tax	2,686	-	-	-	2,686
Airport use charges	138,669	-	-	-	138,669
Rentals	278,760	35,516	-	-	314,276
Services and others	-	188,006	-	-	188,006
Administrative fees	-	-	-	7,075	7,075
Premium revenue – self insurance	-	-	-	122,669	122,669
Experience refunds, net	-	-	-	2,228	2,228
Other	11,163	2,154	-	2,926	16,243
Total operating revenues	<u>603,604</u>	<u>225,676</u>	<u>254,982</u>	<u>134,898</u>	<u>1,219,160</u>
Operating expenses					
Personnel services	278,318	24,159	-	10,474	312,951
Depreciation and amortization	202,168	38,332	-	2,066	242,566
Repairs and maintenance	101,145	-	-	484	101,629
Airports operations	59,249	-	-	-	59,249
Harbors operations	-	29,136	-	-	29,136
General administration	33,033	17,001	-	5,600	55,634
Unemployment compensation	-	-	172,300	-	172,300
Claims	-	-	-	130,432	130,432
Other	-	-	-	20,595	20,595
Total operating expenses	<u>673,913</u>	<u>108,628</u>	<u>172,300</u>	<u>169,651</u>	<u>1,124,492</u>
Operating income (loss)	<u>(70,309)</u>	<u>117,048</u>	<u>82,682</u>	<u>(34,753)</u>	<u>94,668</u>
Nonoperating revenues (expenses)					
Interest and investment income	67,588	14,571	22,723	17,288	122,170
Interest expense	(90,860)	-	-	-	(90,860)
Federal grants	-	(8,827)	3,133	-	(5,694)
Loss on disposal of capital assets	-	(552)	-	-	(552)
Rental car customer and passenger facility charges	128,298	-	-	-	128,298
Gain on disposal of assets	1	-	-	-	1
Other	-	3,043	-	28	3,071
Total nonoperating revenues	<u>105,027</u>	<u>8,235</u>	<u>25,856</u>	<u>17,316</u>	<u>156,434</u>
Income (loss) before capital contributions	<u>34,718</u>	<u>125,283</u>	<u>108,538</u>	<u>(17,437)</u>	<u>251,102</u>
Capital contributions	145,499	6,724	-	53,485	205,708
Change in net position	<u>180,217</u>	<u>132,007</u>	<u>108,538</u>	<u>36,048</u>	<u>456,810</u>
Net position					
Beginning of year, as previously reported	2,849,005	1,482,232	666,957	1,095,725	6,093,919
Adjustment for change in accounting principle	(17,943)	(3,165)	-	(2,093)	(23,201)
Beginning of year, as restated	<u>2,831,062</u>	<u>1,479,067</u>	<u>666,957</u>	<u>1,093,632</u>	<u>6,070,718</u>
End of year	<u>\$ 3,011,279</u>	<u>\$ 1,611,074</u>	<u>\$ 775,495</u>	<u>\$ 1,129,680</u>	<u>\$ 6,527,528</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities					
Cash received from customers	\$ 603,348	\$ 223,857	\$ -	\$ -	\$ 827,205
Cash received from taxes	-	-	274,217	-	274,217
Cash received from employers and employees for premiums and benefits	-	-	-	767,928	767,928
Cash paid to suppliers	(184,522)	(39,658)	-	(2,146)	(226,326)
Cash paid to employees	(296,517)	(26,385)	-	(14,170)	(337,072)
Cash paid for unemployment compensation	-	-	(171,070)	-	(171,070)
Cash paid for premiums and benefits payable	-	-	-	(765,468)	(765,468)
Cash paid to State of Hawaii	(44)	-	-	-	(44)
Net cash provided by (used in) operating activities	<u>122,265</u>	<u>157,814</u>	<u>103,147</u>	<u>(13,856)</u>	<u>369,370</u>
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	-	-	3,133	53,521	56,654
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>3,133</u>	<u>53,521</u>	<u>56,654</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(349,891)	(104,697)	-	(118)	(454,706)
Proceeds from sale of capital assets	1	-	-	-	1
Federal grant expenditures	-	(8,827)	-	-	(8,827)
Proceeds from federal, state and capital grants and contributions	134,753	6,724	-	-	141,477
Proceeds from issuance of bonds	671,396	-	-	-	671,396
Principal and interest paid on airports system revenue bonds	(175,540)	-	-	-	(175,540)
Repayment of general obligation and revenue bonds principal	-	(18,487)	-	-	(18,487)
Bond issue costs paid	(3,211)	-	-	-	(3,211)
Proceeds from airports system revenue bonds	109,589	-	-	-	109,589
Interest paid on bonds	-	(13,141)	-	-	(13,141)
Principal and interest paid on financed purchases	-	(1,536)	-	-	(1,536)
Principal paid on leases	-	-	-	(191)	(191)
Principal repayments of subscription payable	-	-	-	(515)	(515)
Net cash provided by (used in) capital and related financing activities	<u>387,097</u>	<u>(139,964)</u>	<u>-</u>	<u>(824)</u>	<u>246,309</u>
Cash flows from investing activities					
Interest received from investments	70,355	18,954	22,723	4,444	116,476
Purchase of investments	(106,294)	-	-	(5,350)	(111,644)
Principal repayments on notes receivable	-	-	-	68,580	68,580
Disbursement of note receivable proceeds	-	-	-	(77,470)	(77,470)
Interest income from notes receivable	-	-	-	9,896	9,896
Administrative loan fees	-	-	-	7,044	7,044
Net cash provided by (used in) investing activities	<u>(35,939)</u>	<u>18,954</u>	<u>22,723</u>	<u>7,144</u>	<u>12,882</u>
Net increase in cash and cash equivalents, including restricted amounts	<u>473,423</u>	<u>36,804</u>	<u>129,003</u>	<u>45,985</u>	<u>685,215</u>
Cash and cash equivalents, including restricted amounts					
Beginning of year	<u>1,251,771</u>	<u>676,313</u>	<u>591,486</u>	<u>141,907</u>	<u>2,661,477</u>
End of year	<u>\$ 1,725,194</u>	<u>\$ 713,117</u>	<u>\$ 720,489</u>	<u>\$ 187,892</u>	<u>\$ 3,346,692</u>

(continued)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (70,309)	\$ 117,048	\$ 82,682	\$ (34,753)	\$ 94,668
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	202,168	38,332	-	2,066	242,566
Provision for uncollectible accounts	-	(436)	-	-	(436)
Amortization of the discount on lease receivable	-	3,043	-	-	3,043
Principal forgiveness of loans	-	-	-	19,174	19,174
Interest income from loans	-	-	-	(2,119)	(2,119)
Administrative loan fees	-	-	-	(7,075)	(7,075)
Non-imposed fringe benefits	-	-	-	54	54
Changes in operating assets, deferred outflows, liabilities and deferred inflows					
Receivables	69	(13,737)	19,235	2,910	8,477
Other current assets	(254)	-	-	-	(254)
Net deferred outflows/inflows of resources	(13,677)	5,007	-	(467)	(9,137)
Vouchers and contracts payable	8,790	5,853	1,230	3,202	19,075
Net pension liability	3,568	1,753	-	707	6,028
Net other postemployment benefits liability	(10,355)	(4,423)	-	(2,020)	(16,798)
Other accrued liabilities	2,265	5,374	-	2,324	9,963
Benefit claims payable	-	-	-	2,141	2,141
Net cash provided by (used in) operating activities	<u>\$ 122,265</u>	<u>\$ 157,814</u>	<u>\$ 103,147</u>	<u>\$ (13,856)</u>	<u>\$ 369,370</u>
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	\$ 9,578	\$ (3,837)	\$ -	\$ -	\$ 5,741
Amounts included in contracts payable for the acquisition of capital assets	-	18,046	-	-	18,046
Bond refunding through fiscal agent	(249,816)	-	-	-	(249,816)
Bond proceeds held by fiscal agent	233,041	-	-	-	233,041

(concluded)

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025
(Amounts in thousands)

	Custodial Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	\$ 90,314	\$ 1,051,161
Receivables		
Taxes	18,421	-
Rebates and other receivables from insurance companies	-	47,968
Other	2,037	147
Investments		
U.S. government securities	103,952	461,430
Equity securities	-	411,330
Commercial paper	2,363	-
Mutual funds	-	133,758
Commingled funds	-	3,127,895
Alternative investments	-	3,757,024
Real estate	-	606,520
Derivatives	-	(2,067)
Invested securities lending collateral	-	36,140
Other assets, primarily due from individuals, businesses and counties	-	8,165
Total assets	<u>217,087</u>	<u>9,639,471</u>
Liabilities		
Liabilities		
Vouchers payable	51,448	-
Premium payable	-	48,323
Benefit claims payable	-	32,929
Securities lending collateral	-	36,140
Other accrued liabilities	-	2,569
Total liabilities	<u>51,448</u>	<u>119,961</u>
Net position		
Restricted for OPEB	-	9,519,510
Restricted for other purposes	165,639	-
Net position	<u>\$ 165,639</u>	<u>\$ 9,519,510</u>

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025
(Amounts in thousands)

	Custodial Funds	OPEB Trust Fund
Additions		
Employer contributions	\$ -	\$ 1,137,896
Tax collections	742,512	-
Custodial collections	384,052	-
Investment income		
Investing activities		
Interest	-	158,395
Net appreciation in the fair value of investments	-	460,966
	-	619,361
Less: Investment expenses	-	11,018
Net investment income from investing activities	-	608,343
Securities lending activities		
Securities lending income	-	617
Less: Securities lending expenses	-	136
Net investment income from securities lending activities	-	481
Total net investment income	-	608,824
Total additions	1,126,564	1,746,720
Deductions		
Benefits claims expense and carrier payments	-	599,475
Tax disbursements	721,083	-
Custodial disbursements	340,818	-
Other disbursements	976	475
Total deductions	1,062,877	599,950
Net increase in fiduciary net position	63,687	1,146,770
Net position		
Beginning of year	101,952	8,372,740
End of year	\$ 165,639	\$ 9,519,510

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Component Units
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Assets				
Current assets				
Cash and cash equivalents	\$ 158,321	\$ 912,019	\$ 125,429	\$ 191,662
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$105,182	164,170	78,672	1,797	103,379
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$501	20,279	10,362	-	-
Leases	-	315	-	729
Federal government	-	-	1,519	-
Other, net of allowance for doubtful accounts of \$136	-	2,937	2,867	16,839
Due from primary government	18,766	232,136	86,616	107,355
Investments	857,461	-	-	24,401
Inventories – materials and supplies	6,520	-	831	36,796
Prepaid expenses and other assets	22,934	6,013	871	14,160
Total current assets	<u>1,248,451</u>	<u>1,242,454</u>	<u>219,930</u>	<u>495,321</u>
Restricted assets				
Cash and cash equivalents	11,464	26,074	4,683	152,669
Investments	-	15,854	-	-
Deposits, funded reserves and other	-	1,150	-	-
Total restricted assets	<u>11,464</u>	<u>43,078</u>	<u>4,683</u>	<u>152,669</u>
Capital assets				
Land and land improvements	287,180	91,034	25,518	53,799
Infrastructure	344,417	-	-	-
Construction in progress	289,714	-	41,352	80,292
Buildings, improvements and equipment	3,892,669	58,387	851,434	990,363
Subscription assets	14,521	190	-	35,759
Less: Accumulated depreciation and amortization	<u>(2,458,276)</u>	<u>(7,566)</u>	<u>(583,192)</u>	<u>(646,194)</u>
Total capital assets, net	<u>2,370,225</u>	<u>142,045</u>	<u>335,112</u>	<u>514,019</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$998	39,073	1,242,389	7,841	-
Leases receivable	-	4,070	1,403	18,250
Due from primary government	607,645	-	-	-
Inventories – developments in progress and dwelling units	-	34,662	-	-
Investments	1,018,682	-	-	14,978
Restricted pledge	-	-	-	17,406
Other assets	94,595	-	-	-
Total other assets	<u>1,759,995</u>	<u>1,281,121</u>	<u>9,244</u>	<u>50,634</u>
Total assets	<u>5,390,135</u>	<u>2,708,698</u>	<u>568,969</u>	<u>1,212,643</u>
Deferred outflows of resources				
Deferred asset retirement obligations	31,646	-	-	-
Deferred loss on refunding	6,191	-	-	-
Deferred outflows on net pension liability	253,545	1,826	5,578	79,985
Deferred outflows on net other postemployment benefits liability	190,530	1,606	4,815	66,087
Total deferred outflows of resources	<u>\$ 481,912</u>	<u>\$ 3,432</u>	<u>\$ 10,393</u>	<u>\$ 146,072</u>

The accompanying notes are an integral part of the basic financial statements.

Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 55,777	\$ 2,337	\$ 1,445,545
1,536	1,517	351,071
-	-	30,641
1,274	-	2,318
-	-	1,519
-	299	22,942
146,246	-	591,119
-	178,754	1,060,616
-	-	44,147
-	2,804	46,782
<u>204,833</u>	<u>185,711</u>	<u>3,596,700</u>
-	-	194,890
-	-	15,854
-	-	1,150
<u>-</u>	<u>-</u>	<u>211,894</u>
87,489	-	545,020
51,464	-	395,881
6,378	-	417,736
19,248	-	5,812,101
-	-	50,470
(48,589)	-	(3,743,817)
<u>115,990</u>	<u>-</u>	<u>3,477,391</u>
14,810	-	1,304,113
11,213	-	34,936
-	-	607,645
-	-	34,662
-	-	1,033,660
-	-	17,406
278	-	94,873
<u>26,301</u>	<u>-</u>	<u>3,127,295</u>
<u>347,124</u>	<u>185,711</u>	<u>10,413,280</u>
-	-	31,646
-	-	6,191
307	-	341,241
822	-	263,860
<u>\$ 1,129</u>	<u>\$ -</u>	<u>\$ 642,938</u>

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 71,271	\$ 2,175	\$ 10,761	\$ 108,305
Other accrued liabilities	136,787	4,821	9,536	-
Due to primary government	6,000	-	120	-
Unearned revenue	30,221	384	890	-
Notes, mortgages and installation contracts payable	-	15	-	10,621
Compensated absences	73,771	-	-	40,565
Revenue bonds payable, net	27,010	482	-	-
Reserve for losses and loss adjustment costs	4,994	-	-	2,795
Leases payable	-	-	-	-
Subscriptions payable	5,282	-	-	2,925
Financed purchases	68	-	-	4,938
Other liabilities	25,451	-	1,480	2,156
Total current liabilities	<u>380,855</u>	<u>7,877</u>	<u>22,787</u>	<u>172,305</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	92,871	11	-	22,248
Compensated absences	132,928	1,330	-	53,872
Revenue bonds payable, net	368,088	2,189	-	-
Reserve for losses and loss adjustment costs	14,314	-	-	13,094
Leases payable	-	-	-	-
Subscriptions payable	6,858	-	-	9,796
Financed purchases	-	-	-	12,977
Unearned revenue	-	20,794	-	-
Net pension liability	1,659,607	11,438	42,532	631,150
Net other postemployment benefits liability	1,351,176	6,776	28,490	383,848
Other liabilities	66,726	2,286	5,132	19,273
Total noncurrent liabilities	<u>3,692,568</u>	<u>44,824</u>	<u>76,154</u>	<u>1,146,258</u>
Total liabilities	<u>4,073,423</u>	<u>52,701</u>	<u>98,941</u>	<u>1,318,563</u>
Deferred inflows of resources				
Deferred inflows on net leases	19,593	4,104	1,440	18,149
Deferred inflows on net pension liability	70,236	152	724	8,811
Deferred inflows on net other postemployment benefits liability	265,546	1,984	6,921	85,811
Total deferred inflows of resources	<u>355,375</u>	<u>6,240</u>	<u>9,085</u>	<u>112,771</u>
Net position				
Net investment in capital assets	1,887,905	142,018	334,952	451,524
Restricted				
Nonexpendable	1,616,608	-	-	-
Expendable	10,493	-	-	-
Legislation and contractual agreements	-	90,885	395	-
Lender covenants and other	-	-	-	5,204
Capital projects	-	-	-	-
Other	-	-	-	49,443
Unrestricted	<u>(2,071,757)</u>	<u>2,420,286</u>	<u>135,989</u>	<u>(578,790)</u>
Total net position	<u>\$ 1,443,249</u>	<u>\$ 2,653,189</u>	<u>\$ 471,336</u>	<u>\$ (72,619)</u>

The accompanying notes are an integral part of the basic financial statements.

Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 20,938	\$ 3,296	\$ 216,746
242	-	151,386
-	-	6,120
232	331	32,058
-	-	10,636
225	-	114,561
-	-	27,492
-	-	7,789
112	-	112
-	-	8,207
-	-	5,006
<u>1,438</u>	<u>6,287</u>	<u>36,812</u>
<u>23,187</u>	<u>9,914</u>	<u>616,925</u>
-	-	115,130
562	-	188,692
-	-	370,277
-	-	27,408
285	-	285
-	-	16,654
-	-	12,977
18,000	-	38,794
4,376	-	2,349,103
2,145	-	1,772,435
<u>10,829</u>	<u>-</u>	<u>104,246</u>
<u>36,197</u>	<u>-</u>	<u>4,996,001</u>
<u>59,384</u>	<u>9,914</u>	<u>5,612,926</u>
12,100	-	55,386
100	-	80,023
<u>356</u>	<u>-</u>	<u>360,618</u>
<u>12,556</u>	<u>-</u>	<u>496,027</u>
115,416	-	2,931,815
-	-	1,616,608
-	-	10,493
-	-	91,280
-	-	5,204
125,660	-	125,660
-	-	49,443
<u>35,237</u>	<u>175,797</u>	<u>116,762</u>
<u>\$ 276,313</u>	<u>\$ 175,797</u>	<u>\$ 4,947,265</u>

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	\$ 2,061,739	\$ 29,416	\$ 229,079	\$ 946,769
Program revenues				
Charges for services	389,425	12,692	32,978	788,465
Operating grants and contributions	660,155	77,165	165,832	3,964
Capital grants and contributions	-	-	5,713	146,871
Total program revenues	<u>1,049,580</u>	<u>89,857</u>	<u>204,523</u>	<u>939,300</u>
Net program revenues (expenses)	<u>(1,012,159)</u>	<u>60,441</u>	<u>(24,556)</u>	<u>(7,469)</u>
General revenues (expenses)				
Interest and investment income	152,424	-	-	13,029
Payments from (to) State, net	1,206,432	266,243	23,823	226,293
Gifts and subsidies	53,664	-	-	-
Other	76,608	(3,050)	(6,938)	5,720
Net general revenues	<u>1,489,128</u>	<u>263,193</u>	<u>16,885</u>	<u>245,042</u>
Change in net position	<u>476,969</u>	<u>323,634</u>	<u>(7,671)</u>	<u>237,573</u>
Net position				
Beginning of year, as previously reported	1,030,142	2,330,520	482,024	(266,463)
Adjustment for change in accounting principle	(63,862)	(965)	(3,017)	(43,729)
Adjustment for change in reporting entity	-	-	-	-
Beginning of year, as restated	<u>966,280</u>	<u>2,329,555</u>	<u>479,007</u>	<u>(310,192)</u>
End of year	<u>\$ 1,443,249</u>	<u>\$ 2,653,189</u>	<u>\$ 471,336</u>	<u>\$ (72,619)</u>

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ -	\$ 7,846	\$ 564	\$ 3,275,413
-	4,685	-	1,228,245
-	-	-	907,116
-	-	-	152,584
-	4,685	-	2,287,945
-	(3,161)	(564)	(987,468)
-	1,403	11,442	178,298
-	6,258	(6,287)	1,722,762
-	-	-	53,664
-	12,990	(242)	85,088
-	20,651	4,913	2,039,812
-	17,490	4,349	1,052,344
284,750	259,258	171,448	4,291,679
-	(435)	-	(112,008)
(284,750)	-	-	(284,750)
-	258,823	171,448	3,894,921
\$ -	\$ 276,313	\$ 175,797	\$ 4,947,265

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The State's significant accounting policies are described below.

Reporting Entity

The accompanying basic financial statements present the financial activity of the State (Primary Government) and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government

The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:

- Accounting and General Services
- Agriculture and Biosecurity
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Corrections and Rehabilitation
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resource Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Law Enforcement
- Taxation
- Transportation

Judicial

Legislative

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

Discretely Presented Component Units

The Component Units column in the basic financial statements includes the financial data for the State's discretely presented Component Units. They are reported in a separate column to emphasize their legal separation from the State. The discretely presented Component Units are:

- ***University of Hawaii*** – The University of Hawaii (UH) is Hawaii's sole public higher education system. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

The UH is comprised of ten campuses and provides a broad range of degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, the UH offers certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH houses more than a hundred centers with a research, instruction or public service purpose. The UH is also engaged in instructional research and service activities at hundreds of Hawaii schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

The UH Board of Regents is appointed by the Governor of the State of Hawaii. The UH is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The UH's complete financial statements are available online at: <https://www.hawaii.edu/offices/budget-finance/>.

- ***Hawaii Housing Finance and Development Corporation*** – The Hawaii Housing Finance and Development Corporation (HHFDC) was established by Act 196, Session Laws of Hawaii (SLH) 2005, as amended by Act 180, SLH 2006. The HHFDC is a corporate body placed within the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, and expedited land use approvals.

The HHFDC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHFDC is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHFDC's complete financial statements are available online at: <http://dbedt.hawaii.gov/hhfdc/resources/reports/>.

- ***Hawaii Public Housing Authority*** – The Hawaii Public Housing Authority (HPHA) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HPHA is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwellings for low and moderate income residents of the State of Hawaii and to operate its housing program in accordance with federal and State of Hawaii laws and regulations.

The HPHA's Board of Directors is appointed by the Governor of the State of Hawaii. The HPHA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HPHA's complete financial statements are available online at: <https://hpha.hawaii.gov/plans-reports>.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

- **Hawaii Health Systems Corporation** – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to Hawaii Health Systems Corporation (HHSC). HHSC is administratively attached to the Department of Health. Its mission is to provide and enhance accessible and comprehensive healthcare services that are quality-driven, customer-focused, and cost-effective. It operates the following facilities:

East Hawaii Region:

Hilo Benioff Medical Center
Hale Ho’ola Hamakua and Skilled Nursing

Kauai Region:

Kauai Veterans Memorial Hospital
Samuel Mahelona Memorial Hospital

West Hawaii Region:

Kona Community Hospital
Kohala Hospital

Oahu Region:

Leahi Hospital
Maluhia
Daniel Kahikina Akaka State Veterans Home

Kahuku Medical Center

HHSC’s Board of Directors is appointed by the Governor of the State of Hawaii. HHSC is a public body corporate and politic and an instrumentality and agency of the State of Hawaii that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHSC’s complete financial statements are available online at: <https://www.hhsc.org/about-us/hhsc-reports/>.

- **Hawaii Community Development Authority** – The Hawaii Community Development Authority (HCDA) was established by HRS Chapter 206E to join the strengths of private enterprise, public development, and regulation into a form capable of long-term planning and implementation of improved community development in the urban areas of the State of Hawaii. The HCDA was established as a body corporate and a public instrumentality of the State and is administratively attached to DBEDT. The HCDA has three Community Development Districts: Kaka’ako, Kalaeloa and He’eia.

The HCDA’s Board of Directors is appointed by the Governor of the State of Hawaii. The HCDA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HCDA’s complete financial statements may be obtained from the Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813.

- **Hawaii Hurricane Relief Fund** – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to and operates in accordance with HRS Chapter 431P. The HHRF was established as a public body and a body corporate and politic and is administratively attached to the Department of Commerce and Consumer Affairs.

The HHRF was primarily organized to provide residential and commercial hurricane property insurance coverage to Hawaii consumers in situations where insurance companies will not underwrite such business in the State. Due to the increase in availability of hurricane insurance coverage from the private sector, the HHRF ceased writing policies effective December 1, 2000. Effective June 1, 2025, the Fund resumed issuing hurricane property insurance policies to eligible condominium associations.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

In the event of dissolution of the HHRF, the net monies within the hurricane reserve trust fund shall revert to the State General Fund after any payments on behalf of licensed property and casualty insurers or the State that are required to be made pursuant to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks.

The HHRF's Board of Directors is appointed by the Governor of the State of Hawaii. The HHRF is financially accountable, poses a financial burden or benefit to the State, and is therefore included as a discretely presented Component Unit. Information for obtaining the HHRF's complete financial statements may be obtained from the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Change in the Financial Reporting Entity

The Hawaii Tourism Authority (HTA) was previously reported as a discretely presented component unit. On May 29, 2025, Act 132, SLH 2025, was enacted which modified HRS Section 201B-2 pertaining to the HTA. Amongst other provisions, Act 132 amended HTA's Board of Directors from a policy making board to an advisory board; amended the composition and appointment process of the advisory board; and altered the reporting structure such that the President and Chief Executive Officer shall report to the Governor. As a result, HTA no longer meets the requirements for presentation as a discretely presented component unit and is reported as a blended component unit within the State's governmental activities as of and for the year ended June 30, 2025. The table on page 68 presents the quantitative effect of this change.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not included in program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed

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designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and discretely presented Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the Fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Funds Financial Statements

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual and, therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchise taxes.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements

The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying Fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types – The State reports the following major Governmental Funds:

- **General Fund** – This fund is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Capital Projects Fund** – This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State’s capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.
- **Med-Quest Special Revenue Fund** – This fund accounts for the State’s Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government. Specified revenue sources include federal funding, private sector, and other sources.
- **Administrative Support Special Revenue Fund** – This fund accounts for the proceeds of specific revenue sources that are for specific purposes of certain administrative agencies. Specified revenue sources include general excise tax, transient accommodations tax, tobacco and liquor tax, interest and dividend income, charges for services, and rentals.
- **Natural Resources Special Revenue Fund** – This fund accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State. Specified revenue sources include federal funding, charges for services, and rentals and licenses.
- **Hawaiian Programs Special Revenue Fund** – This fund accounts for programs related to the betterment of the conditions of native Hawaiians. Specified revenue sources include rentals, federal funding, and other sources.

The nonmajor Governmental Funds are comprised of the following:

- **Special Revenue Funds** – These funds account for the financial resources obtained from specific revenue sources and used for restricted or committed purposes.
- **Debt Service Fund** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

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Proprietary Fund Type – Enterprise Funds – The major Enterprise Funds are comprised of the following:

- **Department of Transportation – Airports Division** (Airports) – Airports operates the State’s airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.
- **Department of Transportation – Harbors Division** (Harbors) – Harbors maintains and operates the State’s commercial harbors system.
- **Unemployment Compensation Fund** – This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for construction of drinking water treatment facilities.

Fiduciary Fund Types –

- **Custodial Funds** – Custodial Funds account for various taxes, deposits and property held by the State, pending distribution to other governments and individuals.
- **OPEB Trust Fund** – This fund accounts for retiree healthcare benefits, which includes medical, dental and life insurance coverage as well as for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts or equivalent arrangements.

Component Units – Component Units are comprised of the following:

- **UH** – Comprises the State’s public institutions of higher education.
- **HHFDC** – Finances housing programs for residents of the State.
- **HPHA** – Manages federal and state housing programs.
- **HHSC** – Provides quality healthcare for the people of the State.
- **HCDA** –Coordinates private and public community development for residents of the State.
- **HHRF** – Funds, assesses and provides, when necessary, hurricane property insurance to residents of the State.

Cash and Cash Equivalents

Cash and cash equivalents include all cash, repurchase agreements, and U.S. government securities with original maturities of three months or less, including time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

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Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments

The State's investments are reported at fair value within the fair value hierarchy established by GAAP.

Inventories

Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at cost, with cost being determined principally using the first-in, first-out method.

Restricted Assets

Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets

Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, equipment, and computer software, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements capitalized as projects are constructed to the extent the State's capitalization thresholds are met.

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The State’s capitalization thresholds are \$5,000 for equipment, and \$100,000 for land and land improvements, infrastructure, and buildings and improvements. The Primary Government’s capitalization threshold is \$1,000,000 for purchased and internally generated software and \$100,000 for other intangible assets. Component units and major enterprise funds establish separate capitalization thresholds and estimated useful lives, as appropriate. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years
Computer software	5–15 years
Other intangible assets	30 years

Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying lease asset:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years

Subscription-based information technology arrangements (SBITAs) which comprises computer software are amortized using the straight-line method over the shorter of the subscription term or 5-15 years.

Works of art and historical treasures held for public exhibition, education or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered, conserved, and preserved by the State. It is the State’s policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Leases

Lessee

The State recognizes lease liabilities and a right-to-use lease assets (lease assets) in the government-wide financial statements and its proprietary fund financial statements. The State recognizes lease liabilities with an initial, individual value of \$100,000 or more for land and building leases and \$25,000 or more for equipment and others, with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the State initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease

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incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the State determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The State uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.

The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported in capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor

The State is a lessor for leases of special purpose facilities, office and commercial space, and land. The State recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the lease term in a systematic and rational method.

Key estimates and judgments include how the State determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The State uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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Subscription-Based Information Technology Arrangement

The State recognizes subscription liabilities and right-to-use subscription assets (subscription assets) in the government-wide financial statements and its proprietary fund financial statements. The State recognizes subscription liabilities with an initial, individual value of \$500,000 or more with a subscription term greater than one year. Variable payments based on future performance of the State, or usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the State initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary project stage** – Outlays are expensed as incurred.
- **Initial implementation stage** – Outlays are capitalized as an addition to the subscription asset.
- **Operation and additional implementation stage** – Outlays are expensed as incurred unless they meet specific capitalization criteria.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Key estimates and judgments related to SBITAs include how the State determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The State uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITAs. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.
- The State monitors changes in circumstances that would require a remeasurement of its subscription liability.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (acquisition of) net assets that applies to a future period. The State defers recognition of the loss on debt refunding related to issuance of its general obligation and revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

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The deferred outflow of resources and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions, and changes in proportion on pension plan investments, which will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to OPEB resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow or inflow of resources which is amortized over five years. The State's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year.

The State defers recognition of lease income for lease receivables and recognizes revenue over the lease term.

Compensated Absences

It is the State's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, "compensated absences"). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits associated with payments made for vacation leave. The liability for sick leave that is more likely than not to be used, paid or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the State's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability for the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements and presented under the caption, Compensated Absences. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding are included in interest expense.

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In the Fund financial statements, Governmental Funds recognize bond premiums, discounts and prepaid insurance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance

In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct capital assets.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.
- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State’s Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.
- **Assigned** – Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.
- **Unassigned** – Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

The State spends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the State would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

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The following table presents the State’s fund balances by major function at June 30, 2025 (amounts expressed in thousands):

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	National Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ 72
	-	-	-	-	-	-	72	72
Committed to								
General government	-	-	-	537,819	-	-	-	537,819
Public safety	-	-	-	-	-	-	86,612	86,612
Conservation of natural resources	-	-	-	-	32,662	-	5,740	38,402
	-	-	-	537,819	32,662	-	92,352	662,833
Assigned to								
General government	132,849	-	-	2,167,908	-	-	70,126	2,370,883
Public safety	176,214	-	-	-	-	-	146,457	322,671
Highways	6,262	-	-	-	-	-	238,413	244,675
Conservation of natural resources	104,627	-	-	-	317,436	-	5,740	427,803
Health	142,925	-	-	-	-	-	308,131	451,056
Welfare	154,866	-	22,025	-	-	-	3,886	180,777
Education	363,197	-	-	-	-	-	428,326	791,523
Culture and recreation	13,591	-	-	26,715	-	-	2,512	42,818
Urban development and housing	286,328	-	-	-	-	696,761	-	983,089
Economic development	131,930	-	-	-	-	-	406,115	538,045
	1,512,789	-	22,025	2,194,623	317,436	696,761	1,609,706	6,353,340
Unassigned	2,690,880	(823,751)	-	-	-	-	-	1,867,129
Total	\$ 4,203,669	\$ (823,751)	\$ 22,025	\$ 2,732,442	\$ 350,098	\$ 696,761	\$ 1,702,130	\$ 8,883,374

The following describes the purposes, by function, for the most significant fund balances:

- **Urban development and housing** – To develop and deliver Hawaiian home lands to native Hawaiians by identifying and assessing the needs of beneficiaries of the Hawaiian Homes Commission Act; to develop, market and manage lands not immediately needed; to develop lands for homesteading and income-producing purposes; and to develop waiting lists of applicants for homestead leases.
- **Education** – For the public education system, to serve the community by developing the academic achievement, character and social-emotional well-being of the State’s students to the fullest potential and to work with partners, families and communities to ensure that all students reach their aspirations from early learning through college, career and citizenship. For the public charter commission, to authorize high-quality public charter schools throughout the State.
- **Health** – To administer programs designed to protect, preserve, care for, and improve the physical and mental health of the people of the State.
- **Conservation of natural resources** – To administer funds to protect, manage and sustain natural resources of the State.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS’s fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

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Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the EUTF, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Nonexchange Transactions

The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements

Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State administration's opinion is that adequate provision has been made for any adjustments that may result from such reviews.

Fair Value Measurements

The State measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

Risk Management

The State is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation; and acts of terrorism. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss is reasonably estimable.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, non-incremental estimates (based on projections of historical developments) of claims incurred but not reported, and non-incremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed and, as settlements are made and reserves adjusted, the differences are reported in current operations.

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Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement No. 101

During fiscal year 2025, the State implemented GASB Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled. Implementation of this Statement had a significant effect on the State's financial statements for the fiscal year ended June 30, 2025. The impact of the changes is summarized in the table on page 68.

GASB Statement No. 102

During fiscal year 2025, the State implemented GASB Statement No. 102, *Certain Risk Disclosures*. The primary objective of the Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement were effective for the State's fiscal year ended June 30, 2025 but did not have a material effect on the State's financial statements.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to improve users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The State has not determined the effect this Statement will have on its financial statements.

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GASB Statement No. 105

GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026. The State has not determined the effect this Statement will have on its financial statements.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes within the financial reporting entity and change in accounting principle resulted in adjustments to and restatements of beginning net position, fund net position, and fund balance as follows (amounts in thousands):

	Balance at July 1, 2024 (As Previously Reported)	Change to Financial Reporting Entity	Change to Accounting Principle	Balance at July 1, 2024 (As Restated)
Government-Wide				
Governmental Activities	\$ (3,252,495)	\$ 284,750	\$ (546,839)	\$ (3,514,584)
Business-Type Activities	6,093,919	-	(23,201)	6,070,718
Total Primary Government	<u>\$ 2,841,424</u>	<u>\$ 284,750</u>	<u>\$ (570,040)</u>	<u>\$ 2,556,134</u>
Governmental Funds				
Major Funds				
General	\$ 3,636,236	\$ 5,132	\$ -	\$ 3,641,368
Capital Projects	(562,518)	45,905	-	(516,613)
Nonmajor Funds	1,574,519	56,104	-	1,630,623
Proprietary Funds				
Major Funds				
Airports	\$ 2,849,005	\$ -	\$ (17,943)	\$ 2,831,062
Harbors	1,482,232	-	(3,165)	1,479,067
Nonmajor Funds	1,095,725	-	(2,093)	1,093,632
Discretely Presented Component Units				
UH	\$ 1,030,142	\$ -	\$ (63,862)	\$ 966,280
HHFDC	2,330,520	-	(965)	2,329,555
HPHA	482,024	-	(3,017)	479,007
HHSC	(266,463)	-	(43,729)	(310,192)
HTA	284,750	(284,750)	-	-
HCDA	259,258	-	(435)	258,823

2. Cash and Investments

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

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Cash

The State maintains bank accounts for various purposes at locations throughout the State and the nation. Bank deposits for the State Treasury are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2025 was approximately \$3,667,634,000 and \$1,868,769,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2025 was approximately \$1,141,475,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$832,884,000 at June 30, 2025 and is covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of approximately \$714,505,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments

The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance (Budget and Finance). The pool's investment options are limited to investments listed in the HRS.

At the end of each quarter, Budget and Finance allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Funds and Fiduciary Funds. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The EUTF maintains a separate investment pool. The EUTF board is responsible for safekeeping these monies and has appointed an Investment Committee responsible for investing EUTF assets in compliance with HRS Sections 87A-24(2) and 88-119. Money is invested in accordance with EUTF's investment policy.

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The following table presents the fair value of the State's investments by level of input at June 30, 2025 (amounts expressed in thousands):

	Reported Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments – Primary government				
Investments by fair value level				
U.S. government securities	\$ 8,444,639	\$ 1,126,501	\$ 7,318,138	\$ -
Mutual funds	100,442	100,442	-	-
Commercial paper	191,909	191,909	-	-
Total investments by fair value level	<u>8,736,990</u>	<u>\$ 1,418,852</u>	<u>\$ 7,318,138</u>	<u>\$ -</u>
Investments at net asset value (NAV)				
Alternative investments	47,822			
Commingled funds	33,373			
Total investments	<u>\$ 8,818,185</u>			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	\$ 411,330	\$ 411,330	\$ -	\$ -
U.S. government securities	565,382	13,867	551,515	-
Mutual funds	133,758	133,758	-	-
Commercial paper	2,363	2,363	-	-
Derivatives	(2,067)	-	(2,067)	-
	<u>1,110,766</u>	<u>\$ 561,318</u>	<u>\$ 549,448</u>	<u>\$ -</u>
Investments at NAV				
Commingled funds				
Domestic equity	1,638,764			
International equity	1,168,395			
Domestic inflation-linked fixed income	320,736			
Real estate	606,520			
Alternative investments	3,757,024			
Total investments	<u>\$ 8,602,205</u>			
Invested securities lending collateral at NAV				
Money market fund	<u>\$ 36,140</u>			

Cash and Cash Equivalents, Certificates of Deposit, and Commercial Paper

The State considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the accompanying statement of net position for cash equivalents, certificates of deposit, and commercial paper are measured at amortized cost.

The following methods and assumptions were used by the State in estimating the fair value of its financial instruments:

- **Debt securities** – Debt securities held by the State consist of U.S. government obligations including U.S. Treasury bills and U.S. Treasury notes and bonds. The fair value of these investments is based on quoted prices in active markets or other observable inputs, including pricing matrices. These investments are categorized in either Level 1 or Level 2 of the fair value hierarchy.

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- **Mutual funds** – The mutual funds held by the State are open-ended mutual funds that are registered with the Securities Exchange Commission. The fair value of these mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These investments are categorized in Level 1 of the fair value hierarchy.
- **Commercial paper** – The fair value of these investments are based on quoted market prices when available. These investments are categorized within Level 1 of the fair value hierarchy.
- **Commingled funds** – Investments in commingled funds are valued at the NAV of units of a bank commingled investment vehicle. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.
- **Money market funds** – Investments in money market funds are valued at the NAV of the custodian bank liquid asset portfolio. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.
- **Equity securities** – Investments in common and preferred stocks and a mutual fund are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. These investments are categorized in Level 1 of the fair value hierarchy.
- **Alternative investments/Real estate** – Investments are held in limited partnerships and limited liability companies. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.
- **Derivatives** – Investments are traded on organized exchanges. The fair value of contracts is determined using the market approach based upon quoted market prices.

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the State's investments have fluctuated since June 30, 2025.

(amounts expressed in thousands)	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Required Redemption Notice</u>
Investments measured at NAV				
Commingled funds				
Domestic equity	\$ 1,655,730	None	Daily	Same as trade date
International equity	1,180,765	None	Daily	Same as trade date
Domestic inflation-linked fixed income	324,773	None	Daily	Trade date – 2
Real estate	606,520	\$ 226,953	Quarterly	Various up to trade date – 90
			Monthly/Quarterly/	
Alternative investments	<u>3,804,846</u>	1,789,039	Semi-Annually/Annually	Various up to trade date – 90
Total investments measured at NAV	<u>\$ 7,572,634</u>			
Invested securities lending collateral				
Money market fund	<u>\$ 36,140</u>			Same as trade date

- **Domestic equity** – Northern Trust Russell 3000 Index Fund – Lending – primary objective is to approximate the risk and return characteristics of the Russell 3000 Index. This Index is commonly used to represent the broad U.S. equity market.

State of Hawaii
Notes to Basic Financial Statements
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- **International equity** – Northern Trust Collective All Country World Index EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World Index ex-US Index.
- **Domestic inflation-linked fixed income** – BlackRock U.S. Inflation-Linked Bond Fund B – primary objective is to maximize real return by investing in inflation-linked fixed income securities issued by the U.S. government.
- **Mutual fund** – Vanguard Short-Term Corporate Bond Index Fund seeks to track the performance of a market-weighted corporate bond index with a short-term dollar weighted average maturity. This index includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, and financial companies, with maturities between one and five years.
- **Money market fund** – The Northern Trust Corporation Liquid Asset Portfolio is a money market fund that seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market investments.
- **Alternative investments** – Investments in various limited partnerships and limited liability companies, which is managed pursuant to EUTF’s Investment Policy Statement.
- **Real Estate** – Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks and trust companies, group or unit trusts, limited partnerships, limited liability companies, investment trusts, title-holding corporations recognized under Section 501(c) of the Internal Revenue Code of 1986, as amended, similar entities that would protect the EUTF’s interest, and other pooled funds invested on behalf of the EUTF by investment managers retained by the EUTF.

The following table presents the State’s investments by maturity period at June 30, 2025 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1–5	>5
Investments – Primary government				
U.S. government securities	\$ 8,444,639	\$ 1,130,272	\$ 5,124,617	\$ 2,189,750
Commercial paper	191,909	191,909	-	-
	<u>8,636,548</u>	<u>\$ 1,322,181</u>	<u>\$ 5,124,617</u>	<u>\$ 2,189,750</u>
Mutual funds	100,442			
Commingled funds	33,373			
Alternative investments	47,822			
Total investments	<u>\$ 8,818,185</u>			
Investments – Fiduciary funds				
U.S. government securities	\$ 565,382	\$ 475,303	\$ 63,111	\$ 26,968
Commercial paper	2,363	2,363	-	-
Derivatives	(2,067)	-	(2,067)	-
	<u>565,678</u>	<u>\$ 477,666</u>	<u>\$ 61,044</u>	<u>\$ 26,968</u>
Equity securities	411,330			
Mutual funds	133,758			
Commingled funds	3,127,895			
Real estate	606,520			
Alternative investments	3,757,024			
Total investments	<u>\$ 8,602,205</u>			

State of Hawaii
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Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk

The State's general investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Excess SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The EUTF's asset allocation and investment policy allows for active and passive investments in international securities. The foreign currency risk exposure to the State arises from the international equity investment holdings, including commingled funds, common stocks, and exchange traded funds.

Securities Lending

The EUTF participates in a securities lending program administered by its custodian bank, Northern Trust. Under this program, which is permissible by State statutes and EUTF's investment policy, certain equity securities are lent to participating broker-dealers and banks (borrowers). In return, the EUTF receives cash, securities and/or letters of credit as collateral at 102% to 105% of the principal plus accrued interest for reinvestment. The collateral is marked to market daily. If the market value of the collateral falls below the minimum collateral requirements, additional collateral is provided. Accordingly, management believes that the EUTF has no credit risk exposure to borrowers because the amounts the EUTF owed the borrowers equaled or exceeded the amounts the borrowers owed the EUTF. The contract with the EUTF requires the custodian bank to indemnify the EUTF. In the event a borrower goes into default, the custodian bank will liquidate the collateral to purchase replacement securities. Any shortfall between the replacement securities cost and the collateral value is covered by the custodian bank. All securities loans can be terminated on demand within a period specified in each agreement by either the EUTF or the borrowers.

Cash collateral is invested in a separate account by the custodian bank using approved lender's investment guidelines. As such, maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. The EUTF does not impose any restrictions on the amount of loans the bank custodian makes on behalf of the EUTF. The securities lending program in which the EUTF participates only allows pledging or selling securities in the case of borrower default.

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At June 30, 2025, the total securities lent for collateral amounted to approximately \$280,170,000. The total cash and noncash collateral received amounted to approximately \$36,140,000 and \$251,765,000, respectively.

All three of the commingled funds held in the EUTF investment pool participate in securities lending.

3. Capital Assets

For the fiscal year ended June 30, 2025, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			Balance at June 30, 2025
	Balance at July 1, 2024 (As Restated)	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 2,577,093	\$ 25,539	\$ (2,278)	\$ 2,600,354
Construction in progress	1,352,176	865,898	(361,344)	1,856,730
Total capital assets not being depreciated	<u>3,929,269</u>	<u>891,437</u>	<u>(363,622)</u>	<u>4,457,084</u>
Capital assets being depreciated				
Infrastructure	11,257,797	192,751	-	11,450,548
Buildings and improvements	7,462,976	100,444	(8,468)	7,554,952
Equipment	950,210	64,514	(30,937)	983,787
Intangible assets – software	168,162	-	-	168,162
Total capital assets being depreciated	<u>19,839,145</u>	<u>357,709</u>	<u>(39,405)</u>	<u>20,157,449</u>
Less: Accumulated depreciation and amortization				
Infrastructure	(7,671,567)	(225,329)	-	(7,896,896)
Buildings and improvements	(4,291,496)	(225,336)	11,470	(4,505,362)
Equipment	(802,962)	(49,290)	24,488	(827,764)
Intangible assets – software	(166,420)	(8,952)	-	(175,372)
Total accumulated depreciation and amortization	<u>(12,932,445)</u>	<u>(508,907)</u>	<u>35,958</u>	<u>(13,405,394)</u>
Lease assets				
Land and land improvements	8,512	-	-	8,512
Buildings and improvements	78,943	5,368	-	84,311
Equipment	16,682	3,073	(1,179)	18,576
Total lease assets	<u>104,137</u>	<u>8,441</u>	<u>(1,179)</u>	<u>111,399</u>
Less: Accumulated amortization				
Land and land improvements	(1,027)	(490)	-	(1,517)
Buildings and improvements	(23,657)	(11,412)	-	(35,069)
Equipment	(14,986)	(2,705)	968	(16,723)
Total accumulated amortization	<u>(39,670)</u>	<u>(14,607)</u>	<u>968</u>	<u>(53,309)</u>
Subscription assets				
Subscription assets	71,406	26,187	(3,112)	94,481
Less: Accumulated amortization				
Subscription assets	(29,035)	(19,059)	2,327	(45,767)
Total capital assets, net	<u>\$ 10,942,807</u>	<u>\$ 741,201</u>	<u>\$ (368,065)</u>	<u>\$ 11,315,943</u>

State of Hawaii
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	Business-type Activities			Balance at June 30, 2025
	Balance at July 1, 2024	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 707,516	\$ 22,958	\$ -	\$ 730,474
Construction in progress	1,432,732	454,941	(288,317)	1,599,356
Total capital assets not being depreciated	<u>2,140,248</u>	<u>477,899</u>	<u>(288,317)</u>	<u>2,329,830</u>
Capital assets being depreciated				
Land improvements	2,403,927	61,252	-	2,465,179
Buildings and improvements	4,371,025	196,627	-	4,567,652
Equipment	449,100	8,136	(1,343)	455,893
Total capital assets being depreciated	<u>7,224,052</u>	<u>266,015</u>	<u>(1,343)</u>	<u>7,488,724</u>
Less: Accumulated depreciation				
Land improvements	(1,401,143)	(81,672)	-	(1,482,815)
Buildings and improvements	(2,140,089)	(144,200)	-	(2,284,289)
Equipment	(356,247)	(15,957)	1,343	(370,861)
Total accumulated depreciation	<u>(3,897,479)</u>	<u>(241,829)</u>	<u>1,343</u>	<u>(4,137,965)</u>
Lease assets				
Buildings and improvements	881	-	-	881
Equipment	153	28	-	181
Total lease assets	<u>1,034</u>	<u>28</u>	<u>-</u>	<u>1,062</u>
Less: Accumulated amortization	(262)	(196)	-	(458)
Subscription assets	3,974	-	-	3,974
Less: Accumulated amortization	(1,082)	(541)	-	(1,623)
Total capital assets, net	<u>\$ 5,470,485</u>	<u>\$ 501,376</u>	<u>\$ (288,317)</u>	<u>\$ 5,683,544</u>

Depreciation and amortization expense for the fiscal year ended June 30, 2025 was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities	
Highways	\$ 210,114
Lower education	153,055
General government	42,250
Welfare	12,309
Urban redevelopment and housing	25,465
Conservation of natural resources	48,736
Public safety	15,376
Health	16,572
Culture and recreation	3,411
Economic development and assistance	15,285
Total depreciation and amortization expense – governmental activities	<u>\$ 542,573</u>
Business-type activities	
Airports	\$ 202,168
Harbors	38,332
EUTF	2,013
DWTLF	44
WPCF	9
Total depreciation and amortization expense – business-type activities	<u>\$ 242,566</u>

State of Hawaii
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Subscription Assets and Liability

Governmental Activities

The State has entered into SBITAs for various administrative and operational purposes. These subscriptions include services related to cloud-based software applications, data storage, and management services. Under the terms of these arrangements, the State does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from two to six years. The calculated interest rate used vary depending on the inception and length of subscription term.

As of June 30, 2025, the capitalized right-to-use assets related to SBITAs approximated \$94,481,000 and the total subscription liability approximated \$44,049,000, of which approximately \$15,190,000 is classified as current liability representing the portion due within the next fiscal year.

For the fiscal year ended June 30, 2025, the State recognized approximately \$1,753,000 of interest expense related to these arrangements.

Principal and interest payments to maturity are as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 15,190	\$ 2,039	\$ 17,229
2027	14,048	1,297	15,345
2028	8,150	627	8,777
2029	5,238	242	5,480
2030	1,423	17	1,440
	<u>\$ 44,049</u>	<u>\$ 4,222</u>	<u>\$ 48,271</u>

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4. General Obligation Bonds Payable

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt is being retired from the resources of the Proprietary Fund – Harbors and is recorded in that fund, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues contain call provisions except Series EX, issued October 29, 2015. Stated interest rates range from 0.67% to 6.20%.

On December 18, 2024, the State issued \$750,000,000 of taxable general obligation bonds of 2024 Series GN.

New issue Series GN were issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series GN that mature on or after April 1, 2025 are subject to optional redemption.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State’s basic financial statements. At June 30, 2025, \$1,610,840,000 of bonds outstanding are considered defeased. At June 30, 2025, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 8,670,467
Noncallable	<u>3,905</u>
Total general obligation bonds outstanding	8,674,372
Add: Unamortized bond premium	219,222
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(5,154)</u>
Amount recorded in the governmental activities of the primary government	<u>\$ 8,888,440</u>

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A summary of general obligation bonds outstanding by series as of June 30, 2025 is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DX	February 18, 2010	5.230%–5.530%	February 1, 2020–2030	\$ 500,000	\$ 198,905
EG	December 4, 2012	2.600%–3.625%	November 1, 2019–2032	26,000	14,370
EM	November 21, 2013	3.750%–4.800%	August 1, 2019–2033	25,000	15,930
EN	November 21, 2013	3.750%–4.800%	August 1, 2019–2033	29,795	16,740
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	347,320
EQ	November 25, 2014	3.107%–3.915%	August 1, 2019–2034	25,000	17,125
ET	October 29, 2015	3.000%–5.000%	October 1, 2019–2035	190,000	81,360
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	23,425
EX	October 29, 2015	3.000%	October 1, 2019–2025	25,035	3,905
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	89,625
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	47,180
FA	October 29, 2015	3.050%–4.400%	October 1, 2019–2035	25,000	16,980
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	349,540
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	101,135
FF	April 14, 2016	2.402%–2.902%	October 1, 2019–2028	119,730	51,290
FG	October 13, 2016	4.000%–5.000%	October 1, 2019–2036	375,000	283,660
FH	October 13, 2016	4.000%–5.000%	October 1, 2021–2031	379,295	264,410
FI	October 13, 2016	3.000%–5.000%	October 1, 2021–2033	2,710	2,015
FK	May 24, 2017	3.000%–5.000%	May 1, 2020–2037	575,000	431,340
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	160,105
FP	May 24, 2017	2.950%–3.940%	May 1, 2020–2037	7,500	5,445
FS	December 12, 2017	2.340%–2.950%	October 1, 2022–2033	275,363	214,067
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	524,915
FW	February 21, 2019	2.500%–5.000%	January 1, 2023–2039	431,665	378,315
FZ	August 5, 2020	0.670%–2.293%	August 1, 2025–2040	995,000	995,000
GB	October 21, 2020	0.802%–0.852%	October 1, 2022–2025	600,000	150,000
GC	October 21, 2020	0.852%–2.782%	October 1, 2025–2040	400,000	400,000
GD	September 29, 2021	0.713%–2.870%	October 1, 2022–2041	700,000	611,100
GE	September 29, 2021	0.713%–2.870%	October 1, 2022–2041	200,000	174,225
GJ	September 29, 2021	1.033%–2.222%	August 1, 2025–2033	629,705	629,705
GK	November 2, 2022	4.750%–6.200%	October 1, 2023–2041	740,000	692,025
GM	November 2, 2022	4.771%–5.418%	October 1, 2023–2041	750,000	679,935
GN	December 18, 2024	4.187%–5.250%	October 1, 2025–2043	750,000	703,280
					<u>\$ 8,674,372</u>

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement reported in Note 12 and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and other public purposes.

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A summary of the general obligation bond premium activity for fiscal year 2025 is as follows (amounts expressed in thousands):

Balance – July 1, 2024	\$ 262,966
Additions	2,032
Current-year amortization	<u>(45,776)</u>
Balance – June 30, 2025	<u>\$ 219,222</u>

A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 754,119	\$ 311,480	\$ 1,065,599
2027	621,589	288,520	910,109
2028	618,602	265,145	883,747
2029	610,710	241,960	852,670
2030	586,460	219,563	806,023
2031–2035	2,682,520	789,163	3,471,683
2036–2040	1,880,360	343,193	2,223,553
2041–2044	<u>700,790</u>	<u>47,123</u>	<u>747,913</u>
	<u>\$ 8,455,150</u>	<u>\$ 2,506,147</u>	<u>\$ 10,961,297</u>

A summary of debt service requirements to maturity on the governmental activities' direct placements is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 21,401	\$ 5,975	\$ 27,376
2027	21,401	5,475	26,876
2028	21,926	4,949	26,875
2029	22,479	4,396	26,875
2030	23,060	3,816	26,876
2031–2035	<u>103,801</u>	<u>9,176</u>	<u>112,977</u>
	<u>\$ 214,068</u>	<u>\$ 33,787</u>	<u>\$ 247,855</u>

A summary of debt service requirements to maturity on the business-type activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 3,125	\$ 256	\$ 3,381
2027	1,136	100	1,236
2028	<u>893</u>	<u>44</u>	<u>937</u>
	<u>\$ 5,154</u>	<u>\$ 400</u>	<u>\$ 5,554</u>

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The State Constitution limits the amount of general obligation bonds which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2025 was \$882,071,000.

At June 30, 2025, general obligation bonds authorized but unissued were approximately \$4,201,243,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Department's revenues generated from certain capital improvement projects. On October 7, 2021, the Department of Transportation – Highways Division (Highways) issued \$23,130,000 of State of Hawaii Revenue Bonds Series 2019B (the 2019B Bonds) at 5.00% per annum payable semiannually each January 1 and July 1 commencing on January 1, 2022. The 2019B Bonds mature in installments beginning in 2024 through 2032. These bonds were issued at a premium of \$4,051,000, and were used to advance refund \$26,825,000 of a portion of certain Highway revenue bonds previously outstanding.

On June 9, 2021, Highways issued \$137,205,000 of State of Hawaii Revenue Bonds Series 2021 (the 2021 Bonds). The 2021 Bonds bear interest at 5.00% and mature in annual installments beginning in 2027 through 2041. These bonds were issued at a premium of approximately \$43,909,000. The 2021 Bonds maturing on and before January 1, 2030 are not subject to redemption prior to their respective maturity dates. The 2021 Bonds maturing on or after January 1, 2033 are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

On December 11, 2019, Highways issued \$81,835,000 of State of Hawaii Revenue Bonds Series 2019A (the 2019A Bonds). The 2019A Bonds bear interest at rates ranging from 3.00% to 5.00% and mature in annual installments through 2040. These bonds were issued at a premium of \$18,660,847. The 2019A Bonds maturing on and before January 1, 2029 are not subject to redemption prior to their respective maturity dates. The 2019A Bonds maturing on or after January 1, 2030 are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

On August 25, 2017, the Department of Hawaiian Home Lands (DHHL) issued \$30,940,000 in State of Hawaii Revenue Bonds Series 2017, with interest rates ranging from 3.00% to 5.00% to refund State of Hawaii Revenue Bonds Series 2009 previously issued by DHHL. The bonds are payable on April 1 and October 1, annually through 2032.

On September 8, 2016, Highways issued \$103,395,000 in State of Hawaii Highway Revenue Bonds of 2016 Series A, with interest rates ranging from 1.25% to 5.00% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2036.

On September 8, 2016, Highways issued \$101,090,000 in State of Hawaii Highway Revenue Bonds of 2016 Series B, with interest rates ranging from 2.00% to 5.00% to advance refund \$111,590,000 of certain highway revenue bonds previously issued. The bonds are payable annually on January 1 through 2030.

On November 13, 2014, the DBEDT issued \$150,000,000 in State of Hawaii Green Energy Market Securitization Bonds of 2014 Series A, to provide funds for environmentally beneficial projects. The Series A is comprised of Tranche A-1 for \$50,000,000 and Tranche A-2 for \$100,000,000. The final payment for Tranche A-1 was made on July 1, 2020. The interest rate for Tranche A-2 is 3.242%, with bonds payable semi-annually beginning July 1, 2020 through January 1, 2029. Both tranches have a final maturity date, which is two years later than the scheduled final payment date to allow for any final true-ups for balances owed.

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On August 14, 2014, Highways issued \$103,375,000 in State of Hawaii Highway Revenue Bonds of 2014 Series A, with interest rates ranging from 2.00% to 5.00% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2034.

On August 14, 2014, Highways issued \$32,285,000 in State of Hawaii Highway Revenue Bonds of 2014 Series B, with interest rates ranging from 3.00% to 5.00% to advance refund \$36,195,000 of certain highway revenue bonds previously issued. The bonds are payable annually on January 1 through 2026.

The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, rental motor vehicle and tour vehicle surcharge taxes, and green infrastructure fees.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

The following is a summary of the State's revenue bonds issued and outstanding for governmental activities at June 30, 2025 (amounts expressed in thousands):

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Outstanding Amount</u>
Highways					
2014A	August 14, 2014	2.00%–5.00%	January 1, 2020–2034	\$ 103,375	\$ 59,195
2014B	August 14, 2014	3.00%–5.00%	January 1, 2020–2026	32,285	3,960
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	68,455
2016B	September 8, 2016	2.00%–5.00%	January 1, 2021–2030	101,090	64,050
2019A	December 11, 2019	3.00%–5.00%	January 1, 2023–2040	81,835	72,485
2021	June 9, 2021	5.00%	January 1, 2027–2041	137,205	137,205
2019B	October 7, 2021	5.00%	January 1, 2024–2032	23,130	16,805
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	17,210
DBEDT					
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	49,183
					488,548
Add: Unamortized bond premium					59,612
					<u>\$ 548,160</u>

A summary of the revenue bond premium activity for fiscal year 2025 is as follows (amounts expressed in thousands):

Balance – July 1, 2024	\$ 68,667
Current-year amortization	(9,055)
Balance – June 30, 2025	<u>\$ 59,612</u>

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Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 44,380	\$ 22,980	\$ 67,360
2027	46,516	21,014	67,530
2028	48,637	18,897	67,534
2029	50,850	16,681	67,531
2030	26,855	14,469	41,324
2031–2035	141,345	52,369	193,714
2036–2040	108,185	20,668	128,853
2041	21,780	1,089	22,869
	<u>\$ 488,548</u>	<u>\$ 168,167</u>	<u>\$ 656,715</u>

Business-Type Activities

Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds

The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

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The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2025 (amounts expressed in thousands):

Series	<u>Interest Rates</u>	<u>Final Maturity Date (July 1)</u>	<u>Original Amount of Issue</u>	<u>Outstanding Amount</u>
2015A, non-refunding	3.85%–4.20%	2045	\$ 235,135	\$ 1,685
2015B, non-refunding	4.02%	2045	9,125	9,125
2018A, non-refunding	5.00%	2048	388,560	388,560
2018B, non-refunding	3.00%–5.00%	2027	26,125	26,125
2018C, refunding	3.58%	2028	93,175	74,020
2018D, refunding	5.00%	2034	142,150	142,150
2020A, nonrefunding	4.00%–5.00%	2045	113,140	113,140
2020B, nonrefunding	3.48%	2050	165,885	165,885
2020C, nonrefunding	5.00%	2050	20,295	20,295
2020D, refunding	4.00%–5.00%	2039	184,855	184,855
2020E, refunding	1.39%–2.33%	2030	98,315	98,315
2022A, nonrefunding	4.00%–5.00%	2015	209,280	209,280
2025A, nonrefunding	5.00%-5.25%	2054	333,265	333,265
2025B, nonrefunding	5.00%	2049	294,605	294,605
2025C, refunding	5.00%	2045	166,275	166,275
2025D, refunding	5.00%	2045	54,390	54,390
			<u>\$ 2,534,575</u>	<u>2,281,970</u>
Add: Unamortized premium				178,741
Less: Unamortized discount				<u>(42)</u>
				2,460,669
Less: Current portion				<u>(43,410)</u>
Noncurrent portion				<u>\$ 2,417,259</u>

Customer Facility Charge Revenue Bonds

In July 2017, Airports issued \$249,805,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds Series 2017A) at interest rates ranging from 1.70% to 4.14%. At June 30, 2025, the outstanding balance of the Series 2017A Bonds is \$212,210,000, with a maturity of July 1, 2047.

In August 2019, Airports issued \$194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds Series 2019A) at interest rates ranging from 1.819% to 2.733%. At June 30, 2025, the outstanding balance of the Series 2019A Bonds is \$169,195,000, with a maturity of July 1, 2047.

The bonds were issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for these bonds and to pay certain costs of issuance of these bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts

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from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system.

Harbors Revenue Bonds

The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices ranging from 102% to 100% of face value.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2025 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current		Total	Noncurrent
				Principal Due July 1, 2025	Due January 1, 2026		
2013	July 1, 2029	3.25%	\$ 23,615	\$ 1,100	\$ -	\$ 1,100	\$ 4,795
2016	January 1, 2031	2.46%–3.09%	90,960	3,485	5,870	9,355	39,250
2020	July 1, 2040	4.00%–5.00%	250,865	5,590	-	5,590	238,490
			<u>\$ 365,440</u>	<u>\$ 10,175</u>	<u>\$ 5,870</u>	16,045	282,535
Add: Unamortized premium						3,907	29,848
						<u>\$ 19,952</u>	<u>\$ 312,383</u>

Debt service requirements to maturity on the business-type activities' revenue bonds for the fiscal year ended June 30, 2025 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 70,825	\$ 122,491	\$ 193,316
2027	72,960	127,979	200,939
2028	75,310	125,580	200,890
2029	77,845	122,983	200,828
2030	80,600	120,041	200,641
2031–2035	457,500	543,859	1,001,359
2036–2040	532,040	434,825	966,865
2041–2045	536,060	317,960	854,020
2046–2050	609,330	182,968	792,298
2051–2055	449,485	51,193	500,678
	<u>\$ 2,961,955</u>	<u>\$ 2,149,879</u>	<u>\$ 5,111,834</u>

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the twelve-month and six-month periods, respectively, preceding the date on which the payments are due.

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Revenue Bonds Authorized, but Unissued

At June 30, 2025, revenue bonds authorized, but unissued, were approximately \$9,960,310,000.

Special Purpose Revenue Bonds

HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2025 amounted to approximately \$1,450,737,000. At June 30, 2025, special purpose revenue bonds of \$1,281,025,000 were authorized, but unissued.

6. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the Primary Government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

	Governmental Activities				
	Balance at July 1, 2024 (As Restated)	Additions	Deductions	Balance at June 30, 2025	Due Within One Year
General obligation bonds payable	\$ 8,456,619	\$ 750,000	\$ (751,469)	\$ 8,455,150	\$ 754,119
Add: Unamortized premium	262,966	2,032	(45,776)	219,222	40,315
Direct placements	234,969	-	(20,901)	214,068	21,401
Total general obligation bonds payable	8,954,554	752,032	(818,146)	8,888,440	815,835
Revenue bonds payable	531,076	-	(42,528)	488,548	44,380
Add: Unamortized premium	68,667	-	(9,055)	59,612	8,322
Total revenue bonds payable	599,743	-	(51,583)	548,160	52,702
Compensated absences*	832,550	35,923	-	868,473	230,073
Reserve for losses and loss adjustment costs	364,064	71,426	(74,055)	361,435	40,973
Leases payable	66,171	8,442	(14,293)	60,320	12,702
Subscriptions payable	37,500	26,187	(19,638)	44,049	15,190
Net pension liability	6,991,875	576,687	(326,101)	7,242,461	-
Net other postemployment benefits liability	4,470,360	13,005	(830,893)	3,652,472	-
Financed purchases	82,180	-	(9,221)	72,959	10,029
Other	334	-	-	334	-
Total	<u>\$ 22,399,331</u>	<u>\$ 1,483,702</u>	<u>\$ (2,143,930)</u>	<u>\$ 21,739,103</u>	<u>\$ 1,177,504</u>

* The change in compensated absences liability is presented as a net change.

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	Business-type Activities				
	Balance at July 1, 2024 (As Restated)	Additions	Deductions	Balance at June 30, 2025	Due Within One Year
General obligation bonds payable, net	\$ 8,131	\$ -	\$ (2,977)	\$ 5,154	\$ 3,125
Revenue bonds payable	2,411,420	848,535	(298,000)	2,961,955	70,825
Add: Unamortized premium, net	<u>186,241</u>	<u>55,901</u>	<u>(29,688)</u>	<u>212,454</u>	<u>3,907</u>
Total revenue bonds payable	2,597,661	904,436	(327,688)	3,174,409	74,732
Compensated absences*	44,409	-	(1,691)	42,718	11,309
Reserve for losses and loss adjustment costs	14,762	5,653	(2,961)	17,454	3,414
Leases payable	769	22	(191)	600	198
Subscriptions payable	2,993	-	(515)	2,478	535
Net pension liability	223,807	14,151	(5,326)	232,632	-
Net other postemployment benefits liability	192,959	769	(30,390)	163,338	-
Financed purchases	159,976	-	(21,284)	138,692	22,442
Prepaid airport use charge fund	17,231	(17,231)	-	-	-
Security deposits	4,215	8,126	(3,027)	9,314	-
Other long-term liabilities	1,803	-	(20)	1,783	-
Total	<u>\$ 3,268,716</u>	<u>\$ 915,926</u>	<u>\$ (396,070)</u>	<u>\$ 3,788,572</u>	<u>\$ 115,755</u>

*The change in compensated absences liability is presented as a net change.

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7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2025 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund		
Capital Projects Fund	\$ 26,655	\$ -
Med-Quest Special Revenue Fund	146,471	59,699
Nonmajor Governmental Funds	83,148	69
Airports	5	-
Harbors	15	-
	<u>256,294</u>	<u>59,768</u>
Capital Projects Fund		
General Fund	-	26,655
Harbors	1,597	-
	<u>1,597</u>	<u>26,655</u>
Med-Quest Special Revenue Fund		
General Fund	59,699	146,471
Administrative Support Special Revenue Fund		
Natural Resources Special Revenue Fund	1,900	-
Nonmajor Governmental Funds	49,381	-
	<u>51,281</u>	<u>-</u>
Natural Resources Special Revenue Fund		
Administrative Support Special Revenue Fund	-	1,900
	<u>-</u>	<u>1,900</u>
Nonmajor Governmental Funds		
General Fund	69	83,148
Administrative Support Special Revenue Fund	-	49,381
	<u>69</u>	<u>132,529</u>
Proprietary Funds		
Airports	-	5
Harbors	-	1,612
	<u>-</u>	<u>1,617</u>
	<u>\$ 368,940</u>	<u>\$ 368,940</u>

The interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occurred, transactions are recorded, and payment between funds are made.

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8. Transfers

Transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2025, transfers by fund were as follows (amounts expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund		
Capital Projects Fund	\$ -	\$ 28,320
Med-Quest Special Revenue Fund	58,569	4,232
Administrative Support Special Revenue Fund	54,150	-
Natural Resources Special Revenue Fund	625	5,000
Hawaiian Program Special Revenue Fund	-	226,142
Nonmajor Governmental Funds	<u>57,331</u>	<u>1,255,818</u>
	<u>170,675</u>	<u>1,519,512</u>
Capital Projects Fund		
General Fund	28,320	-
Administrative Support Special Revenue Fund	-	20,546
Nonmajor Governmental Funds	<u>327,711</u>	<u>-</u>
	<u>356,031</u>	<u>20,546</u>
Med-Quest Special Revenue Fund		
General Fund	4,232	58,569
Nonmajor Governmental Funds	<u>-</u>	<u>1,162</u>
	<u>4,232</u>	<u>59,731</u>
Administrative Support Special Revenue Fund		
General Fund	-	54,150
Capital Projects Fund	20,546	-
Natural Resources Special Revenue Fund	-	3,218
Nonmajor Governmental Funds	<u>4,793</u>	<u>79,501</u>
	<u>25,339</u>	<u>136,869</u>
Natural Resources Special Revenue Fund		
General Fund	5,000	625
Administrative Support Special Revenue Fund	3,218	-
Nonmajor Governmental Funds	<u>684</u>	<u>2,390</u>
	<u>8,902</u>	<u>3,015</u>
Hawaiian Programs Special Revenue Fund		
General Fund	226,142	-
Nonmajor Governmental Funds	<u>-</u>	<u>3,009</u>
	<u>226,142</u>	<u>3,009</u>

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	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Governmental Funds		
General Fund	1,255,818	57,331
Capital Projects Fund	-	327,711
Med-Quest Special Revenue Fund	1,162	-
Administrative Support Special Revenue Fund	79,501	4,793
Natural Resources Special Revenue Fund	2,390	684
Hawaiian Programs Special Revenue Fund	3,009	-
Other Nonmajor Governmental Funds	70,263	70,263
	<u>1,412,143</u>	<u>460,782</u>
	<u>\$ 2,203,464</u>	<u>\$ 2,203,464</u>

The General Fund transferred approximately \$1,086,516,000 to the Nonmajor Governmental Funds for debt service payments, approximately \$404,676,000 to subsidize various Special Revenue Funds' programs, and approximately \$28,320,000 to the Capital Projects Fund to finance capital projects. Approximately \$291,377,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases and Financed Purchases

Leases Receivable

Governmental Activities

A major portion of the State's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Leases receivable consists of agreements with others for the right to use the underlying assets at various locations owned by the State. The terms of the arrangements range from 1 to 61 years. The calculated interest rates used vary depending on the inception of the lease. For the fiscal year ended June 30, 2025, the State recognized approximately \$33,391,000 in lease revenue and approximately \$24,056,000 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows (amounts expressed in thousands):

<u>Balance at</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
\$ 800,497	\$ 21,653	\$ (20,544)	\$ 801,606	\$ 28,091

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Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 28,091	\$ 898	\$ 28,989
2027	17,618	994	18,612
2028	19,763	1,203	20,966
2029	19,956	1,540	21,496
2030	19,336	2,493	21,829
2031–2035	110,705	2,303	113,008
2036–2040	111,533	1,404	112,937
2041–2045	132,737	2,207	134,944
2046–2050	87,799	1,151	88,950
2051–2055	50,403	279	50,682
2056–2060	46,686	278	46,964
2061–2065	43,128	343	43,471
2066–2070	45,118	480	45,598
2071–2075	32,122	496	32,618
2076–2080	32,882	289	33,171
2081–2085	3,312	11	3,323
2086	417	2	419
	<u>\$ 801,606</u>	<u>\$ 16,371</u>	<u>\$ 817,977</u>

Business-Type Activities

Airports leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users. Leases receivable consists of agreements with others for the right-to-use of the underlying assets and as measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the inception and length of the lease. For the fiscal year ended June 30, 2025, Airports recognized approximately \$65,557,000 in lease revenue and \$14,016,000 in interest revenue.

Major portions of Harbors' property are leased to others. Such property includes special purpose facilities, office and commercial space, and land. Leases receivable consists of agreements with others for the right-to-use of the underlying assets at various locations owned by Harbors. The terms of the arrangements range from 10 to 70 years. The calculated interest rates used vary depending on the inception and length of the lease. For the fiscal year ended June 30, 2025, Harbors recognized approximately \$4,951,000 in lease revenue for variable payments not previously included in measurement of the leases receivable.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows (amounts expressed in thousands):

<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2025</u>	<u>Due Within One Year</u>
\$ 449,996	\$ 140,798	\$ (174,386)	\$ 416,408	\$ 84,766

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Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 84,766	\$ 16,601	\$ 101,367
2027	74,492	12,784	87,276
2028	65,749	9,595	75,344
2029	48,134	6,975	55,109
2030	31,404	5,301	36,705
2031–2035	67,551	13,471	81,022
2036–2040	18,046	6,444	24,490
2041–2045	11,101	3,241	14,342
2046–2050	8,364	1,801	10,165
2051–2055	5,433	517	5,950
2056–2058	1,368	67	1,435
	<u>\$ 416,408</u>	<u>\$ 76,797</u>	<u>\$ 493,205</u>

Regulated Leases – Airports

Airports does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings between airports, air carriers, and other aeronautical users.

Airport-Airline Agreement

The DOT and the airline companies serving the Airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the “lease extension agreement”). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

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Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2024 have been transferred to the PAUCF.

Airports System Rates and Charges

Signatory and non-signatory airlines were assessed the following airports system rates and charges:

- Airport landing fees amounted to approximately \$140,680,000 for fiscal year 2025. Airport landing fees are shown net of aviation fuel tax credits of approximately \$2,011,000 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$138,669,000. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines is set at 53% for fiscal year 2025, and are scheduled to increase 1% annually until it reaches 100%.
- Overseas and interisland joint use premise charges were established to recover airports system costs allocable to the overseas and interisland terminals joint use space based on terminal rental rates and are recovered based on a computed rate per enplaning or deplaning passenger. Nonexclusive joint use premise charges for terminal rentals amounted to approximately \$146,279,000 for fiscal year 2025.
- Exclusive use premise charges amounted to approximately \$101,749,000 for fiscal year 2025, and are computed using a fixed rate per square footage per year. Included in exclusive use premise charges are terminal rentals amounting to \$57,688,000. Remaining charges include other nonterminal rentals.

Expected future minimum payments from the agreements with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2025 are as follows (amounts expressed in thousands):

Fiscal Year	
2026	\$ 25,138
2027	24,416
2028	22,057
2029	19,246
2030	17,304
2031–2035	37,179
2036–2040	9,946
2041–2045	5,910
2046–2050	6,854
2051–2055	2,894
	<u>\$ 170,944</u>

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Leases Payable

Governmental Activities

The State has entered into leases for building space and equipment use. The terms of the agreements range from 1 to 36 years. The calculated interest rates used vary depending on the inception and length of the lease.

Principal and interest payments to maturity are as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,702	\$ 48	\$ 12,750
2027	9,976	37	10,013
2028	8,735	33	8,768
2029	5,310	21	5,331
2030	3,975	15	3,990
2031–2035	7,352	29	7,381
2036–2040	2,958	11	2,969
2041–2045	2,859	10	2,869
2046–2050	2,908	11	2,919
2051–2055	2,077	9	2,086
2056–2060	1,436	7	1,443
2061	32	-	32
	<u>\$ 60,320</u>	<u>\$ 231</u>	<u>\$ 60,551</u>

Financed Purchases

Governmental Activities

On July 25, 2017, the State issued \$15,125,000 in Certificates of Participation (COPS) 2017 Series A to fully refund \$24,500,000 of the 2009 Series A Certificate, which proceeds were used to purchase the Kapolei State Office Building and Capitol District Building. Wells Fargo Bank, NA was paid \$18,739,000 by the Bank of New York Mellon Trust Company, NA on August 25, 2017 from the net proceeds of \$20,292,000, which include original issue premium of \$2,614,000 and funds on hand of \$2,553,000. The remaining amounts of \$152,000 were used as cost of issuance and \$1,401,000 was deposited to the Certificate Reserve Fund. Payments of principal and interest commenced on November 1, 2017 and is payable every May 1 and November 1 until 2031, with interest fixed at 5.00% starting in 2023.

An equipment lease purchase agreement between the Highways Division and Johnson Controls, Inc. was entered into on July 8, 2015 to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of approximately \$60,286,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Highways Division. Payments commenced on August 1, 2017 and continue through August 1, 2031 at an interest rate of 2.63%.

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An equipment lease purchase agreement between Department of Accounting and General Services (DAGS) and Banc of America Public Capital Corp. was entered into on August 1, 2013 to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of \$18,835,000 were deposited in an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

On April 14, 2011, an equipment lease purchase agreement between the Department of Corrections and Rehabilitation and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of \$25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the DAGS and Capital One Public Funding, LLC was entered into on September 3, 2009 to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of \$12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

Future minimum payments for these financed agreements are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 10,029	\$ 2,487	\$ 12,516
2027	8,954	2,126	11,080
2028	9,822	1,801	11,623
2029	10,686	1,444	12,130
2030	11,585	1,057	12,642
2031–2032	21,883	883	22,766
	<u>\$ 72,959</u>	<u>\$ 9,798</u>	<u>\$ 82,757</u>

Capital assets acquired under these financed agreements at June 30, 2025 are as follows (amounts expressed in thousands):

Asset type	
Buildings and improvements	\$ 15,125
Equipment	<u>117,010</u>
Total assets	<u>\$ 132,135</u>

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Business-Type Activities

Airports – Lease Revenue Certificates of Participation

Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$167,740,000 at interest rates ranging from 3.00% to 5.25%, payable annually with a final maturity date of 2029.

On April 13, 2016, Airports entered into another lease agreement with Johnson Controls, Inc., amending the Energy Performance Contract dated December 19, 2013, to finance improvements to Daniel K. Inouye International Airport’s cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of approximately \$8,057,000 at an interest rate of 1.74%, payable annually with a final maturity date of 2026.

On March 31, 2017, Airports entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to the lighting infrastructure at multiple airports. The costs relating to the purchase and installation of certain equipment to implement the fourth amendment to the Energy Performance Contract between Airports Division and Johnson Controls, Inc. was financed by lease revenue COPS issued by the Airports Division in the amount of approximately \$51,473,000 at an interest rate of 2.87%, payable annually with a final maturity date of 2034.

The lease revenue COPS are payable from revenue derived by the Airports Division from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State of Hawaii. The COPS represent participations in equipment lease rent payments to be made by the Department. Lease rent payments to holders of the COPS are payable from Revenues and Aviation Fuel Taxes, subordinate in right of payment to the payments of debt service on bonds.

The outstanding lease revenue COPS contains a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The lease revenue COPS contains a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determines that a material adverse change occurs.

At June 30, 2025, the outstanding balance of the lease revenue COPS and the unamortized premium are approximately \$120,490,000 and \$13,000, respectively. The schedule of payments for the lease revenue COPS is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 20,755	\$ 4,827	\$ 25,582
2027	22,770	3,767	26,537
2028	25,411	2,619	28,030
2029	28,458	1,360	29,818
2030	4,542	631	5,173
2031–2034	18,567	1,100	19,667
	<u>\$ 120,503</u>	<u>\$ 14,304</u>	<u>\$ 134,807</u>

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Harbors – Financed Purchase

Harbors entered into a financed purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors locations. Proceeds of approximately \$26,246,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by Harbors. The agreement also provided for the financing of interest expense through October 1, 2016 approximating \$747,000, which was applied toward the principal of the financed purchase obligation. The financed purchase obligation amounted to approximately \$18,189,000 at June 30, 2025. Annual payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Costs incurred for the installation and acquisition of energy conservation measures were capitalized to other improvements and approximated \$28,952,000, net of related expense of \$23,000, which included additional capitalized interest of \$1,983,000 for the period October 2, 2016 through June 30, 2019. Amortization of equipment acquired under the agreement is included with depreciation expense. There were no unused proceeds in the acquisition fund at June 30, 2025 (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,687	\$ 498	\$ 2,185
2027	1,846	452	2,298
2028	2,015	402	2,417
2029	2,196	346	2,542
2030	2,387	286	2,673
2031–2033	8,058	443	8,501
	<u>\$ 18,189</u>	<u>\$ 2,427</u>	<u>\$ 20,616</u>

In September 2025, Harbors transacted a lump sum buyout of approximately \$19 million.

10. Significant Transactions with Component Units

Hawaii Health Systems Corporation

The amount due to the State of approximately \$19,008,000 at June 30, 2025 is comprised of cash advances that was assumed by the HHSC.

At June 30, 2025, approximately \$118,981,000 was due from the State for allotments made to HHSC.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the fiscal year ended June 30, 2025, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$6,287,000.

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11. Retirement Benefits

Pension Plan

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: <http://ers.ehawaii.gov/resources/financials>.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

- **Retirement Benefits** – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- **Disability Benefits** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

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- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.
- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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Contributory Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Police officers and firefighters’ retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

- Disability and Death Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- Death Benefits – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member’s contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

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Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- ***Retirement Benefits*** – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.
- ***Disability and Death Benefits*** – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2025 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$707,541,000 for the fiscal year ended June 30, 2025.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the State reported a liability of approximately \$7,500,000,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2024, the State's proportion was 57.9570%, which was an increase of 0.6703% from its proportion measured as of June 30, 2023.

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There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal year ended June 30, 2025, the State recognized pension expense of approximately \$734,206,000. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 216,894	\$ (52,810)
Changes in assumptions	10,765	(47,323)
Net difference between projected and actual earnings on pension plan investments	198,292	-
Changes in proportion and differences between State contributions and proportionate share of contributions	81,895	(18,371)
State contributions subsequent to the measurement date	<u>707,541</u>	<u>-</u>
Total	<u>\$ 1,215,387</u>	<u>\$ (118,504)</u>

At June 30, 2025, the approximate \$707,541,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Fiscal Year	
2026	\$ (78,462)
2027	260,460
2028	146,275
2029	<u>61,069</u>
	<u>\$ 389,342</u>

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annually including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

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Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS’s Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns plus inflation) by the target asset allocation percentage.

The rates of return, based on ERS’s investment consultant as of June 30, 2024, are summarized in the following table:

Classes	Strategic Class Weights	Long-Term Expected Geometric Rate of Return
Broad growth		
Public equity	20.0 %	7.2 %
Private equity	19.0 %	9.9 %
Real estate	9.0 %	6.3 %
Private credit	8.0 %	9.2 %
Infrastructure	7.0 %	7.3 %
Liquid credit	4.0 %	6.5 %
Timber/agriculture/infrastructure	3.0 %	5.3 %
Diversifying strategies		
Intermediate government	14.0 %	4.0 %
Systematic trend following	8.0 %	3.8 %
Long Treasuries	4.0 %	4.3 %
Reinsurance	4.0 %	5.3 %
Total investments	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the State’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State’s proportionate share of the net pension liability	<u>\$ 9,984,399</u>	<u>\$ 7,475,093</u>	<u>\$ 5,396,633</u>

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report. The ERS complete financial statements are available at <http://ers.ehawaii.gov/resources/financials>.

Payables to the Pension Plan

The State’s employer contributions payable to the ERS was approximately \$81,300,000 as of June 30, 2025.

Postemployment Healthcare and Life Insurance Benefits

Plan Description

The State provides certain healthcare and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at <https://eutf.hawaii.gov/reports/>. The report may also be obtained by writing to the EUTF at 201 Merchant Street, Suite 1700, Honolulu, HI, 96813.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For

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employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms

At July 1, 2024, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	<u>49,427</u>
Total plan members	<u>96,966</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$609,362,000 for the fiscal year ended June 30, 2025. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the State reported a net OPEB liability of approximately \$3,800,000,000. The net OPEB liability was measured as of July 1, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the net OPEB liability.

For the fiscal year ended June 30, 2025, the State recognized OPEB expense of approximately \$96,785,000. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,220,281)
Changes in assumptions	-	(132,445)
Net difference between projected and actual earnings on OPEB plan investments	16,210	-
State contributions subsequent to the measurement date	<u>609,362</u>	<u>-</u>
Total	<u>\$ 625,572</u>	<u>\$ (1,352,726)</u>

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At June 30, 2025, the approximate \$609,362,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Fiscal Year	
2026	\$ (473,258)
2027	(297,292)
2028	(299,838)
2029	(142,446)
2030	(123,682)
	<u>\$ (1,336,516)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
Part B and Base	
Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

** Includes prescription drug assumptions.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private equity	15.0 %	10.1 %
U.S. microcap	3.0 %	8.3 %
Global equity	30.0 %	6.0 %
Real assets	12.0 %	5.0 %
Private credit	10.0 %	7.8 %
TIPS	2.5 %	2.1 %
Long Treasuries	5.0 %	2.6 %
Reinsurance	5.5 %	5.1 %
Alternative risk premia	5.0 %	3.8 %
Trend following	10.0 %	2.4 %
Tail risk / Long volatility	2.0 %	(1.3)%
Total investments	<u>100.0 %</u>	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at <https://eutf.hawaii.gov/reports/>.

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Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2024 (amounts expressed in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance, as restated	\$ 8,541,709	\$ 3,878,390	\$ 4,663,319
Service cost	177,386	-	177,386
Interest on the total OPEB liability	603,118	-	603,118
Difference between expected and actual experience	(675,107)	-	(675,107)
Employer contributions	-	626,545	(626,545)
Net investment income	-	326,722	(326,722)
Benefit payments	(309,772)	(309,772)	-
Administrative expense	-	(315)	315
Other	-	(46)	46
Net changes	<u>(204,375)</u>	<u>643,134</u>	<u>(847,509)</u>
Ending balance	<u>\$ 8,337,334</u>	<u>\$ 4,521,524</u>	<u>\$ 3,815,810</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the State's net OPEB liability calculated using the discount rate of 7.00%, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net OPEB liability	<u>\$ 4,919,667</u>	<u>\$ 3,815,810</u>	<u>\$ 2,928,116</u>

The following table presents the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the State's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate (amounts expressed in thousands):

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State's proportionate share of the net OPEB liability	<u>\$ 2,881,953</u>	<u>\$ 3,815,810</u>	<u>\$ 5,005,097</u>

Payables to the OPEB Plan

There was no contributions payable to the EUTF as of June 30, 2025.

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12. Commitments and Contingencies

Commitments

General Obligation Bonds

The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2025, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds

Agriculture	\$ 3,430
Natural Resources	<u>23,646</u>
	<u>\$ 27,076</u>

Intergovernmental Expenditures

Pursuant to HRS Section 248-2.7, the State has established a mass transit Special Fund. For the period beginning on January 1, 2018 to December 31, 2030, transient accommodations tax and surcharge on state tax revenues allocated to the mass transit special fund pursuant to HRS Sections 237D-2(e), and 248-2.6 shall be deposited into the special fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. These amounts generally will become liabilities in future periods.

Significant encumbrances at June 30, 2025 include (amounts expressed in thousands):

Fund Type

General	\$ 1,672,628
Capital Projects	2,771,455
Med-Quest Special Revenue	28,418
Administrative Support Special Revenue	28,888
Natural Resources Special Revenue	170,451
Hawaiian Programs Special Revenue	249,596
Other Governmental	<u>2,278,813</u>
	<u>\$ 7,200,249</u>

Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately \$233,500,000 for aquaculture/agriculture loans, Hawaiian home land loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2025.

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Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2025, the Enterprise Funds had commitments of approximately \$1,915,456,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the years ended June 30, 2025, 2024 and 2023 approximated \$30,460,000, \$90,402,000 and \$343,189,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement (MSA) will pay the State approximately \$1,300,000,000 over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State received approximately \$33,809,000 during the fiscal year ended June 30, 2025. As of June 30, 2025, the State expects to receive \$14,000,000 for the first six months of fiscal 2026.

The MSA requires the State to diligently enforce certain requirements enacted in the Tobacco Liability Act. Failure may result in a state losing a significant portion of its MSA payments. Participating tobacco manufacturers who have joined in the MSA challenged whether the State of Hawaii diligently enforced the provisions of the Tobacco Liability Act for the entirety of 2004. Preliminary phases of the 2004 Diligent Enforcement Arbitration commenced, and in March 2018, the State agreed to a multi-million dollar arbitration settlement with the Tobacco Industry to avoid the expense and uncertainty of arbitrating each calendar year from 2004 through and including 2017. During the fiscal year ended June 30, 2018, the State received a lump sum arbitration settlement of approximately \$58,711,000. The settlement was reduced by approximately \$15,875,000 in a “one time” arbitration credit and other arbitration adjustments.

In March 2024, the State signed the 2023 and 2024 NPM Adjustments Settlement Agreement, which settled sales year through 2024 for arbitration relating to the NPM adjustment.

In April 2025, Hawaii received its annual MSA payment in the amount of \$33,809,000, and payments are current, subject to some adjustments over time. Since Hawaii and 35 other states were only settled through sales year 2024, negotiations to settle future years, like those agreed to by recently settled states (Illinois, Idaho and Iowa), have begun. If Hawaii does not settle future years and faces arbitration for sales year 2025 and beyond, it is unclear when those arbitrations would commence, but it would appear to be several years away at this point, since the 2005 to 2007 arbitrations are ongoing.

Since the State is only settled through sales year 2024, negotiations to settle future years, similar to those agreed to by recently settled states have begun.

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled “Individual Claims Resolution Under the Hawaiian Home Lands Trust,” which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they

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suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,721 individuals.

The process was a three-step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection, and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661.

Kalima et al. v. State of Hawaii et al., Civil No. 99-4771 12VSM (1st Cir.) (*Kalima I*). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The Plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in *Kalima I* that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99-612 (3rd Cir.) (*Aguiar*), was pending and stayed.

On March 30, 2000, the three named plaintiffs in *Kalima I* filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674.

Kalima et al. v. State of Hawaii, et al., Civil No. 00-1-1041-03 (1st Cir.) (*Kalima II*). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II*. *Kalima I*, *Kalima II* and *Aguiar* are collectively referred to under this caption as the "Individual Claims Cases."

The Plaintiffs in *Kalima I* filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in *Kalima I* for lack of subject matter jurisdiction. The circuit court granted the Plaintiffs' motion and denied the State's motion. The State was permitted to make an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court's determination that the Plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

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The Plaintiffs in *Kalima I* have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered, and (9) other allegedly wrongful conduct. The court granted the Plaintiffs' motion to try the waiting list subclass' claims separately and first, and after a six-week bifurcated trial to determine liability only, the circuit judge for *Kalima II* ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State's objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012 and February 14, 2013. After a three-day trial completed on October 3, 2013, the court ruled in a Minute Order that (1) the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on 4% of the fee simple value of a 5,000 square foot lot in Maali, obtained from a "best fit" curve derived from actual fee simple Maali valuations from 1959 through July 8, 2013, (2) for damage calculations the rents adjust annually, and (3) that there are no increases for the consumer price index or other present value adjustments. However, to date, no proceeding or procedure has been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court's order approving the parties' Stipulation to Participate in Private Mediation, etc., filed on September 13, 2013.

On January 20, 2015, the Plaintiffs filed a motion for summary judgment to compute the damages of members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu. The motion was heard on June 30, 2015. An order granting and denying the motion in part was entered on July 26, 2017. The court concluded the Plaintiffs' motion was premature, and entered an order which makes certain findings of facts about twelve members of the Waiting List Subclass, and rules on procedural issues raised in the motion.

The parties agreed to make every effort to facilitate the entry of a final judgment in the case as expeditiously as possible. In furtherance of that effort, the Plaintiffs filed seven motions in June and July of 2016. The State filed cross motions to three of the Plaintiffs' motions, and opposed all the Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. The Plaintiffs filed four additional motions and the State filed three additional motions, which were heard on November 4, 2016, December 12, 2016, and January 30, 2017, respectively.

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The circuit court entered orders granting (in whole or in part) eleven of the Plaintiffs' motions and denying (in whole or in part) two of the Plaintiffs' motions. The circuit court entered orders granting (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) four of the State's motions and cross motions.

An HRCP Rule 54(b) Final Judgment was entered on January 9, 2018 in favor of the Waiting List Subclass and against the State, DHHL, the DHHL Trust Individual Claims Review Panel, and the Governor of the State of Hawaii. State Defendants and the Plaintiffs, respectively, filed an appeal and a cross-appeal from the HRCP Rule 54(b) Final Judgment in favor of the Waiting List Subclass and against the State Defendants, in the Intermediate Court of Appeals. The opening briefs in the appeal and cross-appeal were filed through October 4, 2018. The reply briefs were filed on December 28, 2018. Oral arguments and the answering briefs have not yet been scheduled.

The Plaintiffs filed an Application for Transfer to the Supreme Court of Hawaii on December 31, 2018 and State Defendants informed the Supreme Court that they did not oppose the application in a response to the application on January 7, 2019. The case was fully briefed and oral argument was presented in the Supreme Court on August 21, 2019. The case was taken under advisement by the court.

In an opinion issued on June 30, 2020, the Supreme Court of Hawaii ruled as follows:

- The circuit court did not err in adopting a fair market rental value model to determine damages for each Waiting List Subclass member as opposed to requiring each member to prove their out-of-pocket loss individually.
- The circuit court did not err in adopting State Defendant's "best fit curve" for use in their fair market value model.
- The circuit court did not err in applying the fair market value rental value model, which was created using a sample lot on Oahu, to all Waiting List Subclass members, regardless of whether they lived on another island.
- All Waiting List Subclass members are entitled to damages under the fair market rental value model, and State Defendants have the burden of establishing any applicable defenses that would reduce those damages.
- Damages for Waiting List Subclass members cannot be adjusted to present value to account for inflation.
- The circuit court erred in ruling that damages for Waiting List Subclass members only begins to accrue six years after DHHL received their homestead applications.
- The circuit court did not err in finding that the State of Hawaii breached its trust duties by failing to recover lands that were withdrawn from the trust corpus by the federal government before Statehood.
- The circuit court did not err in establishing a list of Waiting List Subclass members; each member will go through the claims administration process to determine if they have a viable claim for damages. The court held that inclusion of a claimant is automatically entitled to damages.

The Supreme Court directed that the case be remanded to the circuit court for further proceedings consistent with its opinion, and judgment on appeal was entered on July 21, 2020. On July 24, 2020, the Plaintiffs' counsel filed motions for attorneys' fees and costs, seeking over a million dollars in lodestar and

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enhanced fees for their work on the appeal and interim fees. The State opposed the amount requested. The motions were granted in part and denied in part by the Supreme Court of Hawaii, which reduced the total amount to approximately \$370,000.

The parties to *Kalima I* entered into settlement negotiations in March and April 2022. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay the Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCP Rule 23.

On May 3, 2022, the Legislature passed Senate Bill No. 3041, which appropriated \$328,000,000 in general funds to fund the State's payment under the settlement agreement, among other appropriations. The appropriation became effective when the Governor signed the bill into law on July 11, 2022.

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds are to be held until the Court grants final approval of the settlement. Up to \$2,000,000 of the settlement amount may be spent on claims administration costs prior to final approval. This \$2,000,000 was released to a court-appointed auditor to pay pre-final approval costs as they were incurred, leaving a balance of \$326,000,000 in the Court's account.

The Court appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court also appointed a Settlement Special Master to supervise the claims administration process and the Claims Administrator, and to provide an accounting of all settlement funds to the Court.

On August 1, 2023, the Court entered an order granting final approval of the settlement and final judgment. On August 17, 2023, one class member filed a notice of appeal with the circuit court. On October 27, 2023, the Hawaii Supreme Court dismissed the appeal. The class-wide release of claims against the defendants became final with the dismissal of the appeal.

On October 30, 2023, the Clerk of the Court paid the remaining balance of the settlement funds (\$326,000,000) to the court-appointed auditor. The auditor will transfer the \$326,000,000 and any unspent claims administration funds to the trustee of a qualified settlement trust that was established to distribute payments to individual class members. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Home Lands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act.

Nelson – In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) (*Nelson*), the Plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands Trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the HHC Act by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

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As beneficiaries of the Hawaiian Home Lands Trust and the HHC Act, the *Nelson* Plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the Plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the Plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. On May 4, 2011, the State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment. In the Hawaii Supreme Court, DHHL and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held the Plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. However, the Hawaii Supreme Court upheld the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case was remanded to the circuit court for further proceedings.

On November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law, and Order, which declared and ordered (1) the State has failed to provide sufficient funds to DHHL for its administrative and operating budget (budget) in violation of the State's constitutional duty, (2) the State must fulfill its constitutional duty by appropriating sufficient general funds to DHHL for its budget so that DHHL does not need to use or rely on revenue from general leases, and (3) although what is "sufficient" will change over the years, the sufficient sums that the Legislature is constitutionally obligated to appropriate in general funds for DHHL's budget (not including significant repairs) is more than \$28,000,000 for fiscal year 2016. The circuit court also ruled that prior to 2012, DHHL breached its trust duties by failing to take all reasonable efforts, including filing suit, to obtain all the funding it needs for its budget, and shall prospectively fulfill its constitutional duties and trust responsibilities and are enjoined from violating these obligations.

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order, which the court granted in part and denied in part. The court rejected the State's position that (1) the Legislature, not the courts, has the exclusive prerogative to decide what is a "sufficient sum" for DHHL's budget under Article XII, Section 1, and (2) there was insufficient evidence to support the court's conclusion that the "sufficient sum" for DHHL's budget is more than \$28,000,000 for fiscal year 2016. The court granted reconsideration with the State's position that the judicial courts lack the authority, under the separation of powers doctrine, to order the legislative branch to appropriate any

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particular amount of funds to DHHL. The court amended its original Order to state that \$9,632,000 is not sufficient and that the State is required to fund DHHL's expenses by making sufficient general funds available to DHHL for fiscal year 2016.

The Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiffs filed a notice of cross-appeal, both filed in the Intermediate Court of Appeals. On February 23, 2017, the Legislature filed an amicus curiae brief in support of the State's positions. On March 8, 2017, in response to the DHHL's application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court.

The Hawaii Supreme Court heard oral arguments in the appeal and cross-appeal on July 6, 2017. By its decision filed on February 9, 2018, the Hawaii Supreme Court vacated and remanded the case to the circuit court after holding that the circuit court is to use a baseline of \$1,300,000 to \$1,600,000, adjusted for inflation, to determine whether the State provided sufficient sums for DHHL's administrative and operating budget. The case was assigned to the circuit court, and the court set a status conference for December 16, 2019. On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the *Nelson II* decision. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020, which provides that the circuit court will hold an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the fiscal year 2016 budget by using the 1978 baseline of \$1,300,000 to \$1,600,000 adjusted for inflation.

A two-day evidentiary hearing was held on September 9 and 10, 2020, at which each of the parties presented differing expert testimony for adjusting the 1978 baseline of \$1,300,000 to \$1,600,000 for inflation, and determining whether the Legislature had provided sufficient sums for DHHL's fiscal year 2016 administrative and operating budget. On December 18, 2020, the circuit court entered its Findings of Fact, Conclusions of Law, and Order in favor of the State Defendants. The court found that, by appropriating over \$17,000,000 for fiscal year 2016, the State Defendants provided "sufficient sums" for DHHL's administrative and operating budget for fiscal year 2016, using the only judicially discoverable and manageable standard identified in *Nelson I*: the 1978 baseline of \$1,300,000 to \$1,600,000, adjusted for inflation. Final judgment was entered on May 25, 2021. DHHL filed a notice of appeal on June 23, 2021, and the Plaintiffs filed a notice of cross-appeal on June 24, 2021. The State prevailed at trial. Plaintiffs have appealed to the Intermediate Court of Appeals.

The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the Plaintiffs' claims in the Individual Claims Cases, and some of the Plaintiffs' claims in *Nelson*, in the respective Plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Hawaii Employer-Union Health Benefits Trust Fund

In June 2006, certain retired public employees (Plaintiffs) filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the EUTF, and the EUTF's Board of Trustees (collectively, the Defendants). See *Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii (Civil No. 06-1-1141-06). In relevant part, the Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing healthcare benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

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Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute “accrued benefits” pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A-23) did not require that retiree health benefits reasonably approximate those provided to active employees. See *Everson v. State*, 122 Hawai‘i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits “accrued” so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, the Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka *James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) healthcare benefits that are equivalent to those provided to State and county active employees; and/or (b) healthcare benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees, who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for healthcare because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for healthcare that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amended Complaint.

On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs’ Motion for Class Action Certification. The class certified is all employees (and their dependent-beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post-retirement health benefits as a retiree or dependent-beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent-beneficiary of such a retiree; and (b) those who have received any post-retirement health benefits from Defendants since July 1, 2003 as a retiree or dependent-beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent-beneficiary of a retiree who is or was a member of the class.

On December 10, 2012, the Plaintiffs filed Plaintiffs’ Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that the Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants’ Motion for Partial Summary Judgment seeking judgment in their favor and against the Plaintiffs on all of the Plaintiffs’ claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of the Plaintiffs by not providing healthcare benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of the Plaintiffs by not providing healthcare benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit

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Court on October 30, 2013, and taken under advisement. The circuit court denied Plaintiffs' motion and granted State Defendants' motion for partial summary judgment in October 2014.

On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that the Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. The Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a Minute Order denying the motion. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in October 2015. In October 2016, the Hawaii Supreme Court issued an opinion affirming the circuit court's decision in the State's favor, but also ruled that the State was not entitled to judgment as a matter of law, and remanded the case to the trial court.

The Plaintiffs filed their Third Amended Complaint on December 28, 2017. The parties conducted discovery and have filed several motions, including motions related to the purported class of plaintiffs. The State's motion to decertify the class was granted. On December 3, 2018, the Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages Subclass. On February 6, 2019, the Court granted the Plaintiffs' Motion for Recertification and an Order granting the Plaintiffs' Motion for Recertification was filed on June 21, 2019. A trial date was set for November 3, 2021 pertaining to the question of "what is the promise," and was completed on November 30, 2021.

Proposed Findings of Fact and Conclusions of Law were submitted by the parties in January 2022 and the Court issued its Findings of Fact and Conclusions of Law in March 2023.

The trial reconvened in May 2023, and the presentation of evidence through witnesses was completed on October 25, 2023. The parties submitted their proposed Findings of Facts and Conclusions of Law during November on a schedule approved by the Court.

The Court heard closing arguments from all parties on December 11, 2023, and took the matter under advisement. On January 30, 2024, the Court entered final judgment in favor of all defendants. On February 28, 2024, plaintiffs filed a notice of appeal. The State Defendants will continue to defend against plaintiffs' claims at the appellate level.

Additionally, an action for declaratory relief was filed on August 31, 2022, and a First Amended Complaint was filed on October 3, 2022, by various insurers that have provided a defense for the Dannenberg lawsuit. Insurance coverage counsel was retained to defend the State Defendants in this action. The insurer-Plaintiffs are seeking a declaration that they have no duty to defend the State Defendants under various insurance policies with respect to the Dannenberg lawsuit. The insurer-Plaintiffs have also requested that the Court find that the insurer-Plaintiffs are entitled to reimbursement of defense costs incurred, the amount of which was not specified but may be in excess of the initial policy of insurance that has been exhausted.

The insurers and the State Defendants have filed motions for partial summary judgment. On December 11, 2024, the Court ruled in the State's favor. The State is in discussions with the insurers with regard to a dismissal of the suit. Should that not occur, the State intends to continue its vigorous defense against all claims brought against the State, the EUTF, and the EUTF Board.

The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the Plaintiff's claims in their favor in this case could have a material adverse effect on the State's financial condition.

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Maui Wildfires

On August 8, 2023, a series of wildfires broke out on the island of Maui. The wildfires caused widespread damage in the town of Lahaina, resulting in 102 confirmed fatalities and two individuals remaining listed as missing. The wildfires destroyed over 2,200 structures, primarily homes and businesses, and displaced over 12,000 residents, causing an estimated \$5,000,000,000 of damage.

As of October 2024, the State has been named as a defendant in 405 cases arising out of the Maui wildfires, including claims for wrongful death, personal injury, emotional distress and property damage (including a class action for property damage). The allegations against the State include negligent maintenance of grasses and invasive species of plants that allegedly contributed to the spread of the wildfires, and negligent handling of the emergency, including failure to use emergency sirens. A settlement was reached in November 2024, through mediation, in which the defendants, among them the State, the County of Maui, Kamehameha Schools, and Hawaiian Electric Company, Inc., agreed to contribute to an approximately \$4,000,000,000 pool of settlement funds from which current and future plaintiffs with personal and property damage claims able to make and prove claims would be paid and stipulating that insurers could not bring subrogation claims against defendants. In late September 2024, the Hawaii Supreme Court agreed to take up a question from the Maui Circuit Court of whether insurance companies can bring subrogation claims and asked counsel to submit briefs within 40 days. The settlement remains subject to court approval and the State's contribution is subject to approval by the Legislature. If approved, the State agreed to contribute approximately \$808,000,000 towards the settlement, plus \$65,000,000 contributed by the State to the One 'Ohana Fund.

The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the Plaintiff's claims in their favor in this case could have a material adverse effect on the State's financial condition.

13. Risk Management

The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year except as noted below. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is \$200,000,000, except for terrorism losses, which has a \$100,000,000 per occurrence limit. The deductible for losses such as windstorm, tsunamis, floods and earthquakes are 3% of the replacement costs to the property subject to a \$1,000,000 per occurrence minimum. The deductible for all other losses, except terrorism, is \$1,000,000 per occurrence. The deductible for terrorism is \$10,000 per occurrence.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

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Casualty and Professional Liability

From July 1, 2024 to November 30, 2024, the State had an effective general liability insurance policy that provided \$5,000,000 of coverage with a \$7,500,000 deductible. As of December 1, 2024, the State does not have any liability insurance policy. Therefore, the state is self-insured thereafter. Liability claims up to \$25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General and funded from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit up to \$10,000,000 with self-insured retention of \$1,000,000. This policy covers all departments and divisions except for UH and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, E-discovery consultant services, data recovery amendatory system failure non-physical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, company definition amendatory-scheduled entities with varying co-insurance (Tiers 1 & 2). The UH has a separate cyber policy with various limits and self-insured retention amounts.

Medical Insurance

The State's community hospitals (HHSC) are insured by a comprehensive medical professional liability policy. The policy provides coverage for professional and general liability claims with a private insurance carrier. This primary policy covers losses up to a limit of \$1,000,000 per claim and \$5,000,000 in annual aggregate. HHSC also purchased additional excess insurance with a \$34,000,000 per claim and aggregate limit.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources Development.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2025, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

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The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities for the years ended June 30, 2025 and 2024, respectively (amounts expressed in thousands):

	<u>2025</u>	<u>2024</u>
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	\$ 364,064	\$ 342,234
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	73,488	161,014
Change in provision for insured events of prior fiscal years	<u>(2,062)</u>	<u>(7,222)</u>
Total incurred losses and loss adjustment costs	<u>71,426</u>	<u>153,792</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(4,044)	(70,080)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	<u>(70,011)</u>	<u>(61,882)</u>
Total payments	<u>(74,055)</u>	<u>(131,962)</u>
End of the fiscal year	<u>\$ 361,435</u>	<u>\$ 364,064</u>

14. Subsequent Events

In September 2025, the Stadium Authority entered into the first two agreements (the Stadium Development and Operation Agreement and the Initial Ground Lease) with Aloha Halawa District Partners (AHDP) to support the New Aloha Stadium Entertainment District (NASED). The NASED project includes construction of a new, modern, multi-purpose stadium, as well as the surrounding development comprised of various aspects, including residential housing, hotels, retail, and office spaces. Execution of these agreements allows AHDP to commence work on the stadium project, including dismantling of the existing stadium and designing and constructing the new stadium. The remaining agreements relate to the real estate parts of the NASED project are expected to be finalized over the following months.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)**

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

General Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Natural Resources Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Hawaiian Programs Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2025

Major Governmental Funds – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2025

Schedule of the Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years

Schedule of Pension Contributions – Last Ten Fiscal Years

Schedule of the Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years

Schedule of OPEB Contributions – Last Ten Fiscal Years

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues				
Taxes				
General excise tax	\$ 4,881,743	\$ 4,758,529	\$ 4,599,977	\$ (158,552)
Net income tax				
Corporations	208,132	515,856	400,297	(115,559)
Individuals	3,285,709	3,365,893	3,287,127	(78,766)
Inheritance and estate tax	61,607	57,211	405,766	348,555
Liquor permits and tax	57,739	50,239	50,149	(90)
Public service companies tax	152,189	167,799	154,478	(13,321)
Tobacco tax	58,062	43,039	56,922	13,883
Tax on premiums of insurance companies	208,000	218,000	218,833	833
Franchise tax (banks and other financial institutions)	41,995	32,195	8,296	(23,899)
Transient accommodations tax	749,056	751,450	716,905	(34,545)
Other taxes, primarily conveyances tax	61,518	58,558	75,406	16,848
Total taxes	<u>9,765,750</u>	<u>10,018,769</u>	<u>9,974,156</u>	<u>(44,613)</u>
Non-taxes				
Interest and investment income	11,030	140,723	157,878	17,155
Charges for current services	376,304	376,013	464,080	88,067
Intergovernmental	11,295	11,325	11,743	418
Rentals	864	115	77	(38)
Fines, forfeitures and penalties	16,204	14,177	13,704	(473)
Licenses and fees	1,362	1,088	847	(241)
Revenues from private sources	3,001	5,000	13,805	8,805
Debt service requirements	6,522	6,524	6,523	(1)
Other	365,570	369,097	509,054	139,957
Total non-taxes	<u>792,152</u>	<u>924,062</u>	<u>1,177,711</u>	<u>253,649</u>
Total revenues	<u>10,557,902</u>	<u>10,942,831</u>	<u>11,151,867</u>	<u>209,036</u>
Expenditures				
Department				
Accounting and General Services	161,888	185,276	160,797	24,479
Agriculture and Biosecurity	38,295	41,654	32,770	8,884
Attorney General	49,299	64,185	56,083	8,102
Budget and Finance	4,037,869	3,989,128	3,606,835	382,293
Business, Economic Development and Tourism	300,939	137,267	134,102	3,165
Corrections and Rehabilitation	303,620	315,278	294,693	20,585
Defense	41,451	58,506	97,238	(38,732)
Education	51,102	2,605,738	2,518,687	87,051
Governor	6,303	6,953	6,837	116
Hawaiian Home Lands	26,846	28,736	26,288	2,448
Health	888,509	948,587	884,316	64,271
House of Representative	3,380	24,507	5,943	18,564
Human Resources Development	27,498	28,648	24,915	3,733
Human Services	1,507,751	1,632,664	1,531,945	100,719
Judiciary	31,770	235,328	228,574	6,754
Labor and Industrial Relations	29,881	37,717	34,661	3,056
Land and Natural Resources	121,938	134,756	129,959	4,797
Law Enforcement	37,297	42,087	35,729	6,358
Legislative Auditor	6,817	6,885	5,715	1,170
Legislative Reference Bureau	5,045	5,346	4,346	1,000
Lieutenant Governor	2,377	2,457	2,066	391
Office of Hawaiian Affairs	-	3,000	3,000	-
Office of the Ombudsman	1,575	2,039	1,656	383
Senate	2,800	17,391	4,597	12,794
State Ethics Commission	1,805	1,821	1,683	138
Taxation	39,030	44,077	37,202	6,875
Transportation	5,000	16,511	15,511	1,000
University of Hawaii	651,454	685,829	670,289	15,540
Total expenditures	<u>8,381,539</u>	<u>11,302,371</u>	<u>10,556,437</u>	<u>745,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,176,363</u>	<u>(359,540)</u>	<u>595,430</u>	<u>954,970</u>
Other financing sources	88,845	80,489	114,984	34,495
Excess (deficiency) of revenues and other sources over (under) expenditures	<u>\$ 2,265,208</u>	<u>\$ (279,051)</u>	<u>\$ 710,414</u>	<u>\$ 989,465</u>

See accompanying report of independent auditors.

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues – non-taxes				
Intergovernmental	\$ -	\$ -	\$ 11	\$ 11
Revenues from private sources	-	60,000	92,956	32,956
Other	-	-	4,232	4,232
Total revenues – non-taxes	<u>-</u>	<u>60,000</u>	<u>97,199</u>	<u>37,199</u>
Total revenues	<u>-</u>	<u>60,000</u>	<u>97,199</u>	<u>37,199</u>
Expenditures				
Department				
Human Services	<u>209,763</u>	<u>209,763</u>	<u>101,934</u>	<u>107,829</u>
Total expenditures	<u>209,763</u>	<u>209,763</u>	<u>101,934</u>	<u>107,829</u>
Deficiency of expenditures over revenues	<u>\$ (209,763)</u>	<u>\$ (149,763)</u>	<u>\$ (4,735)</u>	<u>\$ 145,028</u>

See accompanying report of independent auditors.

State of Hawaii
Administrative Support Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes				
General excise tax	\$ 330,938	\$ 330,938	\$ 357,887	\$ 26,949
Tobacco tax	1,182	1,182	1,059	(123)
Transient accommodations tax	96,367	96,367	78,758	(17,609)
Total taxes	<u>428,487</u>	<u>428,487</u>	<u>437,704</u>	<u>9,217</u>
Non-taxes				
Interest and dividend income	45,452	45,452	44,672	(780)
Charges for current services	88,069	88,069	85,825	(2,244)
Rentals	4,400	4,400	3,653	(747)
Fines, forfeitures and penalties	225	225	119	(106)
Licenses and fees	300	300	197	(103)
Revenues from private sources	2,015	2,015	3,051	1,036
Other	9,913	9,913	70,608	60,695
Total non-taxes	<u>150,374</u>	<u>150,374</u>	<u>208,125</u>	<u>57,751</u>
Total revenues	<u>578,861</u>	<u>578,861</u>	<u>645,829</u>	<u>66,968</u>
Expenditures				
Department				
Accounting and General Services	67,718	67,718	40,330	27,388
Attorney General	34,484	34,484	25,220	9,264
ERS	26,846	26,846	-	26,846
Budget and Finance	439,168	439,168	427,305	11,863
Human Resources Development	5,902	5,902	534	5,368
Lieutenant Governor	324	324	3	321
Taxation	3,853	3,853	1,769	2,084
Total expenditures	<u>578,295</u>	<u>578,295</u>	<u>495,161</u>	<u>83,134</u>
Excess of revenues over expenditures	<u>\$ 566</u>	<u>\$ 566</u>	<u>\$ 150,668</u>	<u>\$ 150,102</u>

See accompanying report of independent auditors.

State of Hawaii
Natural Resources Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues				
Taxes				
Liquid fuel tax				
Highways	\$ 250	\$ 250	\$ 228	\$ (22)
Conveyances tax	5,100	5,100	5,100	-
Transient accommodations tax	4,500	4,500	4,500	-
Total taxes	<u>9,850</u>	<u>9,850</u>	<u>9,828</u>	<u>(22)</u>
Non-taxes				
Interest and investment income	1,266	1,266	5,036	3,770
Charges for current services	57,903	57,903	48,016	(9,887)
Intergovernmental	-	-	94	94
Rentals	12,855	12,855	11,345	(1,510)
Fines, forfeitures and penalties	125	125	90	(35)
Licenses and fees	484	484	1,362	878
Revenues from private sources	21	21	71	50
Other	2,795	2,795	12,067	9,272
Total non-taxes	<u>75,449</u>	<u>75,449</u>	<u>78,081</u>	<u>2,632</u>
Total revenues	<u>85,299</u>	<u>85,299</u>	<u>87,909</u>	<u>2,610</u>
Expenditures				
Department				
Agriculture and Biosecurity	24,507	24,507	14,183	10,324
Land and Natural Resources	99,295	99,295	63,297	35,998
Total expenditures	<u>123,802</u>	<u>123,802</u>	<u>77,480</u>	<u>46,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (38,503)</u>	<u>\$ (38,503)</u>	<u>\$ 10,429</u>	<u>\$ 48,932</u>

See accompanying report of independent auditors.

State of Hawaii
Hawaiian Programs Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues – non-taxes				
Interest and investment income	\$ 80	\$ 80	\$ 1,120	\$ 1,040
Charges for current services	-	-	68	68
Intergovernmental	-	-	5,223	5,223
Rentals	20,433	20,433	20,616	183
Revenues from private sources	-	-	3,000	3,000
Other	3,090	3,090	10,329	7,239
Total non-taxes	<u>23,603</u>	<u>23,603</u>	<u>40,356</u>	<u>16,753</u>
Total revenues	<u>23,603</u>	<u>23,603</u>	<u>40,356</u>	<u>16,753</u>
Expenditures				
Department				
Hawaiian Home Lands	24,325	24,325	14,436	9,889
Total expenditures	<u>24,325</u>	<u>24,325</u>	<u>14,436</u>	<u>9,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (722)</u>	<u>\$ (722)</u>	<u>\$ 25,920</u>	<u>\$ 26,642</u>

See accompanying report of independent auditors.

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control (Unaudited)

Year Ended June 30, 2025

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2023 (Act 164, SLH 2023) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2023–2025 biennial budget and executive supplemental budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budgets in the accompanying General Fund and Special Revenue Funds Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represent the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control for expenditures is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2025, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Funds appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Funds are presented in the General Fund and Special Revenue Funds Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

See accompanying report of independent auditors.

State of Hawaii
Major Governmental Funds
Reconciliation of the Budgetary to GAAP Basis (Unaudited)
Year Ended June 30, 2025
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2025 follows:

	<u>General Fund</u>	<u>Med-Quest Special Revenue Fund</u>	<u>Administrative Support Special Revenue Fund</u>	<u>Natural Resources Special Revenue Fund</u>	<u>Hawaiian Programs Special Revenue Fund</u>
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	\$ 710,414	\$ (4,735)	\$ 150,668	\$ 10,429	\$ 25,920
Transfers	1,317,002	54,945	29,266	(1,985)	(223,133)
Reserve for encumbrances at fiscal year-end*	897,956	721	3,612	30,318	1,631
Expenditures for liquidation of prior fiscal year encumbrances	(1,319,583)	(686,167)	(105,283)	(54,434)	(17,271)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(28,320)	6,946	913,203	44,997	213,316
Tax refunds payable	(215)	-	-	-	-
Accrued liabilities	283,578	(67,871)	(5,145)	(3,629)	9,611
Accrued revenues	18,470	27,657	(17,390)	4,755	8,422
Excess of revenues over expenditures – GAAP basis	<u>\$ 1,879,302</u>	<u>\$ 57,941</u>	<u>\$ 968,931</u>	<u>\$ 30,451</u>	<u>\$ 18,496</u>

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

See accompanying report of independent auditors.

State of Hawaii
Schedule of the Proportionate Share of the Net Pension Liability (Unaudited)
Last Ten Fiscal Years
(Amounts in millions)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State of Hawaii, excluding UH*										
State's proportion of the net pension liability	57.957 %	57.287 %	57.357 %	56.692 %	55.839 %	55.749 %	56.090 %	56.607 %	56.600 %	57.238 %
State's proportionate share of the net pension liability	\$ 8,164	\$ 7,870	\$ 7,405	\$ 6,886	\$ 8,510	\$ 7,865	\$ 7,438	\$ 7,331	\$ 7,567	\$ 4,999
State's covered payroll	\$ 3,028	\$ 2,848	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424
State's proportionate share of the net pension liability as a percentage of its covered payroll	269.6 %	276.3 %	271.0 %	244.8 %	316.5 %	300.6 %	292.8 %	286.5 %	303.2 %	206.2 %
Plan fiduciary net position as a percentage of total pension liability	62.6 %	61.9 %	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %
UH										
Proportion of the net pension liability	11.730 %	11.690 %	11.797 %	12.100 %	12.344 %	12.641 %	12.732 %	12.730 %	12.750 %	13.110 %
Proportionate share of the net pension liability	\$ 1,660	\$ 1,614	\$ 1,530	\$ 1,477	\$ 1,889	\$ 1,791	\$ 1,696	\$ 1,649	\$ 1,704	\$ 1,145
Covered payroll	\$ 629	\$ 629	\$ 575	\$ 575	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565
Proportionate share of the net pension liability as a percentage of its covered payroll	263.9 %	256.6 %	266.1 %	256.9 %	311.7 %	297.0 %	286.5 %	280.9 %	299.5 %	202.7 %
Plan fiduciary net position as a percentage of total pension liability	62.6 %	61.9 %	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %

* Amounts consist of the primary government and discretely presented component units other than UH.

See accompanying report of independent auditors.

State of Hawaii
Schedule of Pension Contributions (Unaudited)
Last Ten Fiscal Years
(Amounts in millions)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
State of Hawaii, excluding UH*										
Statutorily required contribution	\$ 816	\$ 756	\$ 702	\$ 677	\$ 692	\$ 606	\$ 508	\$ 470	\$ 445	\$ 432
Contributions in relation to the contractually required contribution	<u>816</u>	<u>756</u>	<u>702</u>	<u>677</u>	<u>692</u>	<u>606</u>	<u>508</u>	<u>470</u>	<u>445</u>	<u>432</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's covered payroll	\$ 3,261	\$ 3,028	\$ 2,848	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496
Contributions as a percentage of covered payroll	25.0 %	25.0 %	24.6 %	24.8 %	24.6 %	22.5 %	19.4 %	18.5 %	17.4 %	17.3 %
UH										
Statutorily required contribution	\$ 169	\$ 152	\$ 143	\$ 139	\$ 147	\$ 134	\$ 115	\$ 111	\$ 99	\$ 97
Contributions in relation to the contractually required contribution	<u>169</u>	<u>152</u>	<u>143</u>	<u>139</u>	<u>147</u>	<u>134</u>	<u>115</u>	<u>111</u>	<u>99</u>	<u>97</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 704	\$ 629	\$ 593	\$ 575	\$ 606	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569
Contributions as a percentage of covered payroll	24.0 %	24.2 %	24.1 %	24.2 %	24.3 %	22.1 %	19.1 %	18.8 %	16.9 %	17.0 %

* Amounts consist of the primary government and discretely presented component units other than UH.

See accompanying report of independent auditors.

State of Hawaii
Schedule of the Proportionate Share of the Net OPEB Liability (Unaudited)
Last Ten Fiscal Years*
(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 232,717	\$ 220,965	\$ 241,725	\$ 236,421	\$ 246,846	\$ 236,384	\$ 229,157	\$ 220,828
Interest	791,250	756,572	807,583	784,812	792,683	745,104	709,522	670,530
Differences between expected and actual experience	(885,693)	(74,432)	(1,092,624)	(333,106)	(725,733)	(6,204)	(209,802)	-
Changes of assumptions or other inputs	-	-	(278,495)	-	(59,421)	59,886	126,979	-
Benefit payments	(406,400)	(420,772)	(372,316)	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Net change in total OPEB liability	(268,126)	482,333	(694,127)	329,482	(110,190)	678,343	510,380	559,836
Total OPEB liability – beginning	11,390,407	10,908,074	11,602,201	11,272,719	11,382,909	10,704,566	10,194,186	9,634,350
Total OPEB liability – ending	\$ 11,122,281	\$ 11,390,407	\$ 10,908,074	\$ 11,602,201	\$ 11,272,719	\$ 11,382,909	\$ 10,704,566	\$ 10,194,186
Plan fiduciary net position								
Employer contributions	\$ 821,984	\$ 839,445	\$ 533,563	\$ 1,232,456	\$ 814,659	\$ 787,110	\$ 682,605	\$ 659,271
Net investment income	428,637	183,748	(77,248)	646,073	43,497	71,563	78,648	66,007
Benefit payments	(406,400)	(420,772)	(372,316)	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Administrative expense	(414)	(259)	(320)	(330)	(307)	(492)	(258)	(169)
Other	(59)	758	1,041	134	273	165,770	-	5,300
Net change in plan fiduciary net position	843,748	602,920	84,720	1,519,688	493,557	667,124	415,519	398,887
Plan fiduciary net position – beginning	4,663,044	4,060,124	3,975,404	2,455,716	1,962,159	1,295,035	879,516	480,629
Plan fiduciary net position – ending	\$ 5,506,792	\$ 4,663,044	\$ 4,060,124	\$ 3,975,404	\$ 2,455,716	\$ 1,962,159	\$ 1,295,035	\$ 879,516
Net OPEB liability – ending	\$ 5,615,489	\$ 6,727,363	\$ 6,847,950	\$ 7,626,797	\$ 8,817,003	\$ 9,420,750	\$ 9,409,531	\$ 9,314,670
Plan fiduciary net position as a percentage of total OPEB liability	49.51 %	40.94 %	37.22 %	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %
Covered payroll	\$ 3,440,256	\$ 3,307,643	\$ 3,422,362	\$ 3,295,291	\$ 3,218,942	\$ 3,131,515	\$ 3,146,365	\$ 3,065,484
Net OPEB liability as a percentage of covered payroll	163.23 %	203.39 %	200.09 %	231.45 %	273.91 %	300.84 %	299.06 %	303.86 %

Note: Amounts include all component units and the Office of Hawaiian Affairs.

* Information for 2016–2017 is unavailable.

See accompanying report of independent auditors.

State of Hawaii
Schedule of OPEB Contributions (Unaudited)
Last Ten Fiscal Years*
(Amounts in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 830,204	\$ 821,984	\$ 839,445	\$ 877,193	\$ 842,456	\$ 814,659	\$ 787,110	\$ 770,297
Contributions in relation to the actuarially determined contribution	830,204	821,984	839,445	533,563	1,233,388	780,200	816,763	682,605
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 343,630	\$ (390,932)	\$ 34,459	\$ (29,653)	\$ 87,692
Covered payroll	\$ 3,656,948	\$ 3,440,256	\$ 3,307,643	\$ 3,422,362	\$ 3,295,291	\$ 3,218,942	\$ 3,131,515	\$ 3,146,365
Contributions as a percentage of covered payroll	23 %	24 %	25 %	16 %	37 %	24 %	26 %	22 %

Actuarial valuation date	July 1, 2024
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	3.75% to 6.75%
Healthcare inflation rates	
PPO***	Initial rate of 6.40%, declining to an ultimate rate of 4.25% after 22 years
HMO***	Initial rate of 6.40%, declining to an ultimate rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Medicare Part B	Initial rates of 5.00%, declining to an ultimate rate of 4.25% after 22 years

* Information for 2016–2017 is unavailable.

** Closed bases are established at each valuation for new unfunded liabilities.

*** Blended rates for medical and prescription drugs.

See accompanying report of independent auditors.

SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2025

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

- **Highways** – Accounts for programs related to maintaining and operating land transportation facilities.
- **Health** – Accounts for programs related to mental health, nutrition services, communicable disease, and for other public health services.
- **Human Services** – Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.
- **Education** – Accounts for programs related to instructional education, school food services, and student driver education.
- **Economic Development** – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.
- **Employment** – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.
- **Regulatory** – Accounts for programs related to consumer protection, business registration, and cable television regulation.
- **All Other** – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Assets					
Cash and cash equivalents	\$ 44,026	\$ 49,014	\$ 10,503	\$ 240,771	\$ 132,484
Notes and loans receivable, net	-	-	-	-	71,339
Leases receivable	23,497	-	-	-	13,726
Settlement receivable	-	33,507	-	-	-
Other receivable	4,704	5,122	1,107	3,948	3,563
Due from federal government	-	-	21,210	-	-
Due from other funds	-	-	-	-	-
Investments	264,645	292,107	63,139	225,130	145,920
Total assets	<u>\$ 336,872</u>	<u>\$ 379,750</u>	<u>\$ 95,959</u>	<u>\$ 469,849</u>	<u>\$ 367,032</u>
Liabilities					
Liabilities					
Vouchers and contracts payable	\$ 61,072	\$ 19,535	\$ 7,076	\$ 20,355	\$ 2,403
Other accrued liabilities	14,871	13,606	655	18,656	1,417
Due to other funds	-	4,971	84,342	-	4,057
Payable from restricted assets –					
Matured bonds and interest payable	-	-	-	-	-
Total liabilities	<u>75,943</u>	<u>38,112</u>	<u>92,073</u>	<u>39,011</u>	<u>7,877</u>
Deferred inflows of resources					
Deferred inflows on leases	22,516	-	-	-	12,906
Deferred inflows on unavailable revenues	-	33,507	-	-	-
Fund balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	238,413	308,131	3,886	430,838	346,249
Unassigned	-	-	-	-	-
Total fund balances	<u>238,413</u>	<u>308,131</u>	<u>3,886</u>	<u>430,838</u>	<u>346,249</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 336,872</u>	<u>\$ 379,750</u>	<u>\$ 95,959</u>	<u>\$ 469,849</u>	<u>\$ 367,032</u>

See accompanying report of independent auditors.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 13,942	\$ 23,954	\$ 24,093	\$ 538,787	\$ 335	\$ 539,122
-	-	-	71,339	-	71,339
-	-	-	37,223	-	37,223
-	-	-	33,507	-	33,507
1,470	2,525	2,539	24,978	-	24,978
-	-	-	21,210	-	21,210
-	-	-	-	69	69
<u>83,807</u>	<u>143,990</u>	<u>144,821</u>	<u>1,363,559</u>	<u>-</u>	<u>1,363,559</u>
<u>\$ 99,219</u>	<u>\$ 170,469</u>	<u>\$ 171,453</u>	<u>\$ 2,090,603</u>	<u>\$ 404</u>	<u>\$ 2,091,007</u>

\$ 2,788	\$ 1,423	\$ 12,504	\$ 127,156	\$ -	\$ 127,156
2,405	4,310	4,011	59,931	-	59,931
34,159	-	5,000	132,529	-	132,529
-	-	-	-	332	332
<u>39,352</u>	<u>5,733</u>	<u>21,515</u>	<u>319,616</u>	<u>332</u>	<u>319,948</u>
-	-	-	35,422	-	35,422
-	-	-	33,507	-	33,507
-	-	-	-	72	72
-	78,310	14,042	92,352	-	92,352
59,867	86,426	135,896	1,609,706	-	1,609,706
-	-	-	-	-	-
<u>59,867</u>	<u>164,736</u>	<u>149,938</u>	<u>1,702,058</u>	<u>72</u>	<u>1,702,130</u>
<u>\$ 99,219</u>	<u>\$ 170,469</u>	<u>\$ 171,453</u>	<u>\$ 2,090,603</u>	<u>\$ 404</u>	<u>\$ 2,091,007</u>

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Revenues					
Taxes					
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -
Transient accommodations tax	-	-	-	-	11,000
Tobacco and liquor taxes	-	14,117	-	-	-
Liquid fuel tax	75,681	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-
Vehicle weight and registration tax	142,526	6,501	-	-	-
Rental motor/tour vehicle surcharge tax	117,978	-	-	-	-
Other	-	1,297	19	-	1,162
Total taxes	<u>336,185</u>	<u>21,915</u>	<u>19</u>	<u>-</u>	<u>12,162</u>
Interest and dividend income	10,267	7,511	-	430	5,173
Net increase in fair value of investments	14,139	12,664	2,969	14,871	3,726
Charges for current services	4,998	41,302	287	28,322	29,233
Intergovernmental	78,305	214,685	1,003,238	441,855	39,220
Rentals	1,044	-	-	447	9,362
Fines, forfeitures and penalties	5,282	1,173	-	-	-
Licenses and fees	1,567	1,745	83	-	22
Revenues from private sources	-	33,089	30	55	-
Other	235,368	4,592	1,899	53,540	36,207
Total revenues	<u>687,155</u>	<u>338,676</u>	<u>1,008,525</u>	<u>539,520</u>	<u>135,105</u>
Expenditures					
Current					
General government	-	4,844	-	-	-
Public safety	-	-	-	-	-
Highways	384,799	-	-	-	-
Conservation of natural resources	-	-	-	-	3,899
Health	-	293,039	-	-	4,389
Welfare	-	-	958,056	-	-
Lower education	-	-	-	737,050	-
Other education	-	-	16,661	-	-
Culture and recreation	-	-	-	3,133	5,432
Urban redevelopment and housing	-	-	2,035	-	907
Economic development and assistance	-	-	-	-	44,398
Other	227	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>385,026</u>	<u>297,883</u>	<u>976,752</u>	<u>740,183</u>	<u>59,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>302,129</u>	<u>40,793</u>	<u>31,773</u>	<u>(200,663)</u>	<u>76,080</u>
Other financing sources (uses)					
Issuance of subscriptions	4,220	-	-	605	-
Transfers in	10,490	9,030	19,594	150,332	3,998
Transfers out	<u>(342,518)</u>	<u>(19,688)</u>	<u>(29,514)</u>	<u>-</u>	<u>(58,675)</u>
Total other financing sources (uses)	<u>(327,808)</u>	<u>(10,658)</u>	<u>(9,920)</u>	<u>150,937</u>	<u>(54,677)</u>
Net change in fund balances	(25,679)	30,135	21,853	(49,726)	21,403
Fund balances					
Beginning of year, as previously reported	264,092	277,996	(17,967)	480,564	268,742
Adjustment for change in reporting entity	-	-	-	-	56,104
Beginning of year, as restated	<u>264,092</u>	<u>277,996</u>	<u>(17,967)</u>	<u>480,564</u>	<u>324,846</u>
End of year	<u>\$ 238,413</u>	<u>\$ 308,131</u>	<u>\$ 3,886</u>	<u>\$ 430,838</u>	<u>\$ 346,249</u>

See accompanying report of independent auditors.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	11,000	-	11,000
-	-	-	14,117	-	14,117
-	-	1,653	77,334	-	77,334
-	3,293	-	3,293	-	3,293
-	-	-	149,027	-	149,027
-	-	-	117,978	-	117,978
<u>2,161</u>	<u>1,489</u>	<u>-</u>	<u>6,128</u>	<u>-</u>	<u>6,128</u>
<u>2,161</u>	<u>6,782</u>	<u>1,653</u>	<u>380,877</u>	<u>-</u>	<u>380,877</u>
-	4,462	2,306	30,149	-	30,149
4,531	7,433	5,581	65,914	-	65,914
1,784	37,211	39,718	182,855	-	182,855
71,362	-	339,305	2,187,970	-	2,187,970
-	-	7,019	17,872	-	17,872
172	3,443	1,536	11,606	-	11,606
-	48,425	1,053	52,895	-	52,895
-	-	30	33,204	-	33,204
<u>574</u>	<u>731</u>	<u>14,641</u>	<u>347,552</u>	<u>-</u>	<u>347,552</u>
<u>80,584</u>	<u>108,487</u>	<u>412,842</u>	<u>3,310,894</u>	<u>-</u>	<u>3,310,894</u>
-	27,330	10,315	42,489	-	42,489
2,227	75,210	331,461	408,898	-	408,898
-	-	-	384,799	-	384,799
-	-	-	3,899	-	3,899
-	-	-	297,428	-	297,428
-	-	1,130	959,186	-	959,186
-	-	-	737,050	-	737,050
-	-	-	16,661	-	16,661
-	-	32,695	41,260	-	41,260
-	-	-	2,942	-	2,942
82,599	-	-	126,997	-	126,997
17,472	-	-	17,699	-	17,699
-	-	-	-	<u>1,156,265</u>	<u>1,156,265</u>
<u>102,298</u>	<u>102,540</u>	<u>375,601</u>	<u>3,039,308</u>	<u>1,156,265</u>	<u>4,195,573</u>
<u>(21,714)</u>	<u>5,947</u>	<u>37,241</u>	<u>271,586</u>	<u>(1,156,265)</u>	<u>(884,679)</u>
-	-	-	4,825	-	4,825
21,618	25	40,791	255,878	1,156,265	1,412,143
<u>(18)</u>	<u>(9,699)</u>	<u>(670)</u>	<u>(460,782)</u>	<u>-</u>	<u>(460,782)</u>
<u>21,600</u>	<u>(9,674)</u>	<u>40,121</u>	<u>(200,079)</u>	<u>1,156,265</u>	<u>956,186</u>
<u>(114)</u>	<u>(3,727)</u>	<u>77,362</u>	<u>71,507</u>	<u>-</u>	<u>71,507</u>
59,981	168,463	72,576	1,574,447	72	1,574,519
-	-	-	56,104	-	56,104
<u>59,981</u>	<u>168,463</u>	<u>72,576</u>	<u>1,630,551</u>	<u>72</u>	<u>1,630,623</u>
<u>\$ 59,867</u>	<u>\$ 164,736</u>	<u>\$ 149,938</u>	<u>\$ 1,702,058</u>	<u>\$ 72</u>	<u>\$ 1,702,130</u>

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2025
(Amounts in thousands)

	Highways			Health		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ 78,908	\$ 75,681	\$ (3,227)	\$ -	\$ -	\$ -
Vehicle registration fee tax	48,037	50,057	2,020	5,937	6,501	564
State vehicle weight tax	87,947	92,469	4,522	-	-	-
Rental/tour vehicle surcharge tax	119,140	117,978	(1,162)	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	19,590	14,117	(5,473)
Environmental response tax	-	-	-	1,313	1,297	(16)
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	334,032	336,185	2,153	26,840	21,915	(4,925)
Non-taxes						
Interest and investment income	4,821	10,838	6,017	1,040	7,653	6,613
Charges for current services	52,309	5,147	(47,162)	91,381	93,744	2,363
Intergovernmental	181,965	1,386	(180,579)	3,060	7,059	3,999
Rentals	1,000	833	(167)	-	-	-
Fines, forfeitures and penalties	4,045	4,540	495	1,908	1,173	(735)
Licenses and fees	2,147	1,567	(580)	3,950	1,745	(2,205)
Revenues from private sources	-	-	-	35,000	33,059	(1,941)
Other	25	1,435	1,410	560	4,249	3,689
Total non-taxes	246,312	25,746	(220,566)	136,899	148,682	11,783
Total revenues	580,344	361,931	(218,413)	163,739	170,597	6,858
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	-	-	-	-	-	-
Corrections and Rehabilitation	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health	-	-	-	219,124	149,969	69,155
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	436,681	353,534	83,147	-	-	-
Total expenditures	436,681	353,534	83,147	219,124	149,969	69,155
Excess (deficiency) of revenues over (under) expenditures	\$ 143,663	\$ 8,397	\$ (135,266)	\$ (55,385)	\$ 20,628	\$ 76,013

See accompanying report of independent auditors.

Human Services		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	77	77
305	287	(18)
240	2,412	2,172
-	-	-
-	-	-
128	81	(47)
35	-	(35)
<u>1,000</u>	<u>1,493</u>	<u>493</u>
<u>1,708</u>	<u>4,350</u>	<u>2,642</u>
<u>1,708</u>	<u>4,350</u>	<u>2,642</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
11,522	2,401	9,121
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>11,522</u>	<u>2,401</u>	<u>9,121</u>
<u>\$ (9,814)</u>	<u>\$ 1,949</u>	<u>\$ 11,763</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2025
(Amounts in thousands)

	Education			Economic Development		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	-	-	1,040	1,162	122
Transient accommodations tax	-	-	-	11,000	11,000	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	12,040	12,162	122
Non-taxes						
Interest and investment income	242	1,919	1,677	4,503	3,401	(1,102)
Charges for current services	38,902	28,313	(10,589)	26,001	24,650	(1,351)
Intergovernmental	150	2,321	2,171	-	139	139
Rentals	50	447	397	3,055	8,650	5,595
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	-	-	-	10	14	4
Revenues from private sources	85	55	(30)	200	-	(200)
Other	2,375	16,766	14,391	4,748	25,047	20,299
Total non-taxes	41,804	49,821	8,017	38,517	61,901	23,384
Total revenues	41,804	49,821	8,017	50,557	74,063	23,506
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	119,156	19,273	99,883
Commerce and Consumer Affairs	-	-	-	-	-	-
Corrections and Rehabilitation	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Education	279,829	66,489	213,340	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	-	-	-	-	-	-
Total expenditures	279,829	66,489	213,340	119,156	19,273	99,883
Excess (deficiency) of revenues over (under) expenditures	\$ (238,025)	\$ (16,668)	\$ 221,357	\$ (68,599)	\$ 54,790	\$ 123,389

See accompanying report of independent auditors.

Employment		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
1,400	2,161	761
-	-	-
-	-	-
-	-	-
-	-	-
<u>1,400</u>	<u>2,161</u>	<u>761</u>
25	82	57
2,060	1,783	(277)
-	1,122	1,122
-	-	-
-	172	172
-	-	-
-	-	-
-	358	358
<u>2,085</u>	<u>3,517</u>	<u>1,432</u>
<u>3,485</u>	<u>5,678</u>	<u>2,193</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
18,006	4,160	13,846
-	-	-
-	-	-
-	-	-
<u>18,006</u>	<u>4,160</u>	<u>13,846</u>
<u>\$ (14,521)</u>	<u>\$ 1,518</u>	<u>\$ 16,039</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2025
(Amounts in thousands)

	Regulatory			All Other		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	1,653	1,653
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	1,489	1,489	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	2,000	2,000	-	-	-	-
Tax on premiums of insurance companies	3,500	3,293	(207)	-	-	-
Total taxes	<u>5,500</u>	<u>6,782</u>	<u>1,282</u>	<u>-</u>	<u>1,653</u>	<u>1,653</u>
Non-taxes						
Interest and investment income	682	4,406	3,724	114	1,933	1,819
Charges for current services	28,171	37,211	9,040	7,825	38,909	31,084
Intergovernmental	-	-	-	1,585	1,529	(56)
Rentals	-	-	-	-	6,880	6,880
Fines, forfeitures and penalties	3,265	3,442	177	1,203	1,535	332
Licenses and fees	39,795	48,407	8,612	95	904	809
Revenues from private sources	-	-	-	30	30	-
Other	4,494	5,598	1,104	5,012	35,879	30,867
Total non-taxes	<u>76,407</u>	<u>99,064</u>	<u>22,657</u>	<u>15,864</u>	<u>87,599</u>	<u>71,735</u>
Total revenues	<u>81,907</u>	<u>105,846</u>	<u>23,939</u>	<u>15,864</u>	<u>89,252</u>	<u>73,388</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	121,191	111,891	9,300	-	-	-
Corrections and Rehabilitation	-	-	-	64,682	32,945	31,737
Defense	-	-	-	1,906	-	1,906
Education	-	-	-	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	16,792	8,561	8,231
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	43,017	38,848	4,169
Legislature	-	-	-	6,300	6,087	213
Transportation – Highways	-	-	-	-	-	-
Total expenditures	<u>121,191</u>	<u>111,891</u>	<u>9,300</u>	<u>132,697</u>	<u>86,441</u>	<u>46,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (39,284)</u>	<u>\$ (6,045)</u>	<u>\$ 33,239</u>	<u>\$ (116,833)</u>	<u>\$ 2,811</u>	<u>\$ 119,644</u>

See accompanying report of independent auditors.

Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ 78,908	\$ 75,681	\$ (3,227)
53,974	58,211	4,237
87,947	92,469	4,522
119,140	117,978	(1,162)
1,400	2,161	761
19,590	14,117	(5,473)
2,353	3,948	1,595
11,000	11,000	-
2,000	2,000	-
<u>3,500</u>	<u>3,293</u>	<u>(207)</u>
<u>379,812</u>	<u>380,858</u>	<u>1,046</u>
11,427	30,309	18,882
246,954	230,044	(16,910)
187,000	15,968	(171,032)
4,105	16,810	12,705
10,421	10,862	441
46,125	52,718	6,593
35,350	33,144	(2,206)
<u>18,214</u>	<u>90,825</u>	<u>72,611</u>
<u>559,596</u>	<u>480,680</u>	<u>(78,916)</u>
<u>939,408</u>	<u>861,538</u>	<u>(77,870)</u>
119,156	19,273	99,883
121,191	111,891	9,300
64,682	32,945	31,737
1,906	-	1,906
279,829	66,489	213,340
219,124	149,969	69,155
11,522	2,401	9,121
16,792	8,561	8,231
18,006	4,160	13,846
43,017	38,848	4,169
6,300	6,087	213
<u>436,681</u>	<u>353,534</u>	<u>83,147</u>
<u>1,338,206</u>	<u>794,158</u>	<u>544,048</u>
<u>\$ (398,798)</u>	<u>\$ 67,380</u>	<u>\$ 466,178</u>

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2025
(Amounts in thousands)

Excess of revenues and other sources over expenditures – actual (budgetary basis)	\$ 67,380
Reserve for encumbrance at year-end*	177,198
Expenditures for liquidation of prior fiscal year encumbrances	(1,018,721)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	619,643
Transfers	322,187
Accrued liabilities	(597,831)
Accrued revenues	701,730
Excess of revenues over expenditures – GAAP basis	<u>\$ 271,586</u>

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

See accompanying report of independent auditors.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2025
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 218	\$ 118,601	\$ 69,073	\$ 187,892
Investments	185,405	-	-	185,405
Receivables				
Accounts and accrued interest	-	422	185	607
Promissory notes receivable	-	52,459	16,982	69,441
Federal government	-	-	552	552
Premiums	45,837	-	-	45,837
Other	23,935	5,191	2,652	31,778
Prepaid expenses and other assets	5,050	-	-	5,050
Total current assets	<u>260,445</u>	<u>176,673</u>	<u>89,444</u>	<u>526,562</u>
Capital assets				
	24,135	739	2,967	27,841
Less: Accumulated depreciation and amortization	<u>(16,677)</u>	<u>(733)</u>	<u>(2,805)</u>	<u>(20,215)</u>
Net capital assets	7,458	6	162	7,626
Promissory notes receivable	-	487,498	205,733	693,231
Total noncurrent assets	<u>7,458</u>	<u>487,504</u>	<u>205,895</u>	<u>700,857</u>
Total assets	<u>267,903</u>	<u>664,177</u>	<u>295,339</u>	<u>1,227,419</u>
Deferred outflows of resources				
Deferred outflows on net pension liability	1,791	1,050	654	3,495
Deferred outflows on net other postemployment benefits liability	1,153	493	468	2,114
Total deferred outflows of resources	<u>\$ 2,944</u>	<u>\$ 1,543</u>	<u>\$ 1,122</u>	<u>\$ 5,609</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 4,992	\$ 273	\$ 778	\$ 6,043
Other accrued liabilities	1,506	-	-	1,506
Benefit claims payable	9,437	-	-	9,437
Compensated absences, current portion	433	198	227	858
Leases payable, current portion	198	-	-	198
Subscriptions payable, current portion	535	-	-	535
Premiums payable	52,994	-	-	52,994
Total current liabilities	<u>70,095</u>	<u>471</u>	<u>1,005</u>	<u>71,571</u>
Noncurrent liabilities				
Compensated absences	672	1,066	743	2,481
Leases payable	334	-	-	334
Subscriptions payable	1,943	-	-	1,943
Net pension liability	6,974	4,326	2,891	14,191
Net other postemployment benefits liability	4,907	2,548	2,045	9,500
Total noncurrent liabilities	<u>14,830</u>	<u>7,940</u>	<u>5,679</u>	<u>28,449</u>
Total liabilities	<u>84,925</u>	<u>8,411</u>	<u>6,684</u>	<u>100,020</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	369	71	341	781
Deferred inflows on net other postemployment benefits liability	1,440	657	450	2,547
Total deferred inflows of resources	<u>1,809</u>	<u>728</u>	<u>791</u>	<u>3,328</u>
Net position				
Net investment in capital assets	4,447	6	162	4,615
Restricted for bond requirements and other	-	656,575	288,824	945,399
Unrestricted	179,666	-	-	179,666
Total net position	<u>\$ 184,113</u>	<u>\$ 656,581</u>	<u>\$ 288,986</u>	<u>\$ 1,129,680</u>

See accompanying report of independent auditors.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2025
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Administrative fees	\$ -	\$ 4,353	\$ 2,722	\$ 7,075
Premium revenue – self insurance	122,669	-	-	122,669
Experience refunds, net	2,228	-	-	2,228
Other	804	1,363	759	2,926
Total operating revenues	<u>125,701</u>	<u>5,716</u>	<u>3,481</u>	<u>134,898</u>
Operating expenses				
Personnel services	6,198	1,998	2,278	10,474
Depreciation	2,013	9	44	2,066
Repairs and maintenance	187	-	297	484
General administration	2,591	696	2,313	5,600
Claims	130,432	-	-	130,432
Other	1,014	7,871	11,710	20,595
Total operating expenses	<u>142,435</u>	<u>10,574</u>	<u>16,642</u>	<u>169,651</u>
Operating loss	(16,734)	(4,858)	(13,161)	(34,753)
Nonoperating revenues				
Interest and investment income	10,211	4,739	2,338	17,288
Other	-	-	28	28
Total nonoperating revenues	<u>10,211</u>	<u>4,739</u>	<u>2,366</u>	<u>17,316</u>
Loss before capital contributions	(6,523)	(119)	(10,795)	(17,437)
Capital contributions	-	27,468	26,017	53,485
Change in net position	<u>(6,523)</u>	<u>27,349</u>	<u>15,222</u>	<u>36,048</u>
Net position				
Beginning of year, as previously reported	191,115	630,208	274,402	1,095,725
Adjustment for change in accounting principle	(479)	(976)	(638)	(2,093)
Beginning of year, as restated	<u>190,636</u>	<u>629,232</u>	<u>273,764</u>	<u>1,093,632</u>
End of year	<u>\$ 184,113</u>	<u>\$ 656,581</u>	<u>\$ 288,986</u>	<u>\$ 1,129,680</u>

See accompanying report of independent auditors.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2025
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from employers and employees for premiums and benefits	\$ 767,928	\$ -	\$ -	\$ 767,928
Cash received (paid) to suppliers	710	(164)	(2,692)	(2,146)
Cash paid to employees	(7,969)	(3,142)	(3,059)	(14,170)
Cash paid for premiums and benefits payable	(765,468)	-	-	(765,468)
Net cash used in operating activities	<u>(4,799)</u>	<u>(3,306)</u>	<u>(5,751)</u>	<u>(13,856)</u>
Cash flows from noncapital financing activities				
Proceeds from federal, state and capital grants and contributions	-	27,468	26,053	53,521
Net cash provided by noncapital financing activities	<u>-</u>	<u>27,468</u>	<u>26,053</u>	<u>53,521</u>
Cash flows from capital financing activities				
Purchase of capital assets	(17)	-	(101)	(118)
Principal repayments of subscription payable	(515)	-	-	(515)
Principal repayments of leases payable	(191)	-	-	(191)
Net cash used in capital financing activities	<u>(723)</u>	<u>-</u>	<u>(101)</u>	<u>(824)</u>
Cash flows from investing activities				
Purchase of investments	(5,350)	-	-	(5,350)
Principal repayments on notes receivable	-	50,023	18,557	68,580
Disbursement of notes receivable proceeds	-	(58,106)	(19,364)	(77,470)
Interest income from notes receivable	7,764	1,370	762	9,896
Administrative loan fees	-	4,299	2,745	7,044
Interest received from investments	-	2,959	1,485	4,444
Net cash provided by investing activities	<u>2,414</u>	<u>545</u>	<u>4,185</u>	<u>7,144</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,108)</u>	<u>24,707</u>	<u>24,386</u>	<u>45,985</u>
Cash and cash equivalents				
Beginning of year	3,326	93,894	44,687	141,907
End of year	<u>\$ 218</u>	<u>\$ 118,601</u>	<u>\$ 69,073</u>	<u>\$ 187,892</u>
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$ (16,734)	\$ (4,858)	\$ (13,161)	\$ (34,753)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	2,013	9	44	2,066
Principal forgiveness of loan	-	7,867	11,307	19,174
Interest income from loans	-	(1,360)	(759)	(2,119)
Administrative loan fees	-	(4,353)	(2,722)	(7,075)
Non-imposed fringe benefits	-	26	28	54
Change in assets, deferred outflows, liabilities, and deferred inflows				
Receivables	2,899	-	11	2,910
Net deferred outflows/inflows of resources	(175)	1	(293)	(467)
Vouchers and contracts payable	3,488	(251)	(35)	3,202
Net pension liability	402	135	170	707
Net other postemployment benefits liability	(1,157)	(522)	(341)	(2,020)
Other accrued liabilities	2,324	-	-	2,324
Benefit claims payable	2,141	-	-	2,141
Net cash used in operating activities	<u>\$ (4,799)</u>	<u>\$ (3,306)</u>	<u>\$ (5,751)</u>	<u>\$ (13,856)</u>

See accompanying report of independent auditors.

State of Hawaii
Custodial Funds
Combining Statement of Fiduciary Net Position
June 30, 2025
(Amounts in thousands)

	<u>Tax Collections</u>	<u>Custodial and Clearance</u>	<u>Other</u>	<u>Total Custodial Funds</u>
Assets				
Cash and cash equivalents	\$ 7,994	\$ 81,912	\$ 408	\$ 90,314
Receivables – taxes	-	-	18,421	18,421
Receivables – other	-	-	2,037	2,037
Investments	49,968	52,506	3,841	106,315
Total assets	<u>\$ 57,962</u>	<u>\$ 134,418</u>	<u>\$ 24,707</u>	<u>\$ 217,087</u>
Liabilities				
Vouchers payable	<u>\$ 42,887</u>	<u>\$ 2,695</u>	<u>\$ 5,866</u>	<u>\$ 51,448</u>
Total liabilities	<u>42,887</u>	<u>2,695</u>	<u>5,866</u>	<u>51,448</u>
Net position – restricted	<u>\$ 15,075</u>	<u>\$ 131,723</u>	<u>\$ 18,841</u>	<u>\$ 165,639</u>

See accompanying report of independent auditors.

State of Hawaii
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025
(Amounts in thousands)

	<u>Tax Collections</u>	<u>Custodial and Clearance</u>	<u>Other</u>	<u>Total Custodial Funds</u>
Additions				
Tax collections	\$ 742,512	\$ -	\$ -	\$ 742,512
Custodial collections	-	384,052	-	384,052
Total additions	<u>742,512</u>	<u>384,052</u>	<u>-</u>	<u>1,126,564</u>
Deductions				
Tax disbursements	721,083	-	-	721,083
Custodial disbursements	-	340,818	-	340,818
Other disbursements	-	-	976	976
Total deductions	<u>721,083</u>	<u>340,818</u>	<u>976</u>	<u>1,062,877</u>
Change in net position	<u>21,429</u>	<u>43,234</u>	<u>(976)</u>	<u>63,687</u>
Net position				
Beginning of year	(6,354)	88,489	19,817	101,952
End of year	<u>\$ 15,075</u>	<u>\$ 131,723</u>	<u>\$ 18,841</u>	<u>\$ 165,639</u>

See accompanying report of independent auditors.

**PART III: STATISTICAL SECTION
(UNAUDITED)**

State of Hawaii
Statistical Section (Unaudited)
June 30, 2025

This Part of the State’s annual comprehensive financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information on the State’s overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends Information: These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.	154–163
Revenue Capacity Information: These schedules contain information to help the reader assess the State’s most significant local revenue sources, the general excise tax, and net income tax.	164–171
Debt Capacity Information: These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future.	172–178
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.	179–181
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State’s financial report relates to the services provided and the activities performed by the State.	182–187

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Governmental activities					
Net investment in capital assets	\$ 2,143,473	\$ 1,434,962	\$ 1,298,234	\$ 1,012,903	\$ 1,147,118
Restricted	72	72	3,129,087	2,373,911	2,755,923
Unrestricted	(3,134,079)	(4,687,529)	(8,475,706)	(10,615,961)	(12,136,654)
Total governmental activities net position	<u>\$ (990,534)</u>	<u>\$ (3,252,495)</u>	<u>\$ (4,048,385)</u>	<u>\$ (7,229,147)</u>	<u>\$ (8,233,613)</u>
Business-type activities					
Net investment in capital assets	\$ 2,750,759	\$ 2,698,227	\$ 2,601,058	\$ 2,568,292	\$ 2,637,031
Restricted	2,344,485	2,091,280	1,949,115	1,814,854	1,721,912
Unrestricted	1,432,284	1,304,412	1,072,573	685,673	(381,773)
Total business-type activities net position	<u>\$ 6,527,528</u>	<u>\$ 6,093,919</u>	<u>\$ 5,622,746</u>	<u>\$ 5,068,819</u>	<u>\$ 3,977,170</u>
Primary government					
Net investment in capital assets	\$ 4,894,232	\$ 4,133,189	\$ 3,899,292	\$ 3,581,195	\$ 3,784,149
Restricted	2,344,557	2,091,352	5,078,202	4,188,765	4,477,835
Unrestricted	(1,701,795)	(3,383,117)	(7,403,133)	(9,930,288)	(12,518,427)
Total primary government net position	<u>\$ 5,536,994</u>	<u>\$ 2,841,424</u>	<u>\$ 1,574,361</u>	<u>\$ (2,160,328)</u>	<u>\$ (4,256,443)</u>

Notes: Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

Amounts prior to fiscal 2021 have not been restated for GASB Statement No. 84.

Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.

Amounts prior to fiscal 2024 have not been reclassified.

Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 2,478,200	\$ 2,459,159	\$ 2,661,730	\$ 2,787,289	\$ 2,727,055
2,345,000	2,089,246	2,028,259	1,799,903	1,591,701
<u>(12,518,653)</u>	<u>(11,830,687)</u>	<u>(11,381,725)</u>	<u>(7,996,567)</u>	<u>(7,190,837)</u>
<u>\$ (7,695,453)</u>	<u>\$ (7,282,282)</u>	<u>\$ (6,691,736)</u>	<u>\$ (3,409,375)</u>	<u>\$ (2,872,081)</u>
\$ 2,629,344	\$ 2,459,973	\$ 2,183,188	\$ 2,022,844	\$ 1,871,554
1,639,488	1,580,020	1,444,009	1,309,392	1,305,799
251,266	1,018,193	1,075,059	1,141,536	1,058,108
<u>\$ 4,520,098</u>	<u>\$ 5,058,186</u>	<u>\$ 4,702,256</u>	<u>\$ 4,473,772</u>	<u>\$ 4,235,461</u>
\$ 5,107,544	\$ 4,919,132	\$ 4,844,918	\$ 4,810,133	\$ 4,598,609
3,984,488	3,669,266	3,472,268	3,109,295	2,897,500
<u>(12,267,387)</u>	<u>(10,812,494)</u>	<u>(10,306,666)</u>	<u>(6,855,031)</u>	<u>(6,132,729)</u>
<u>\$ (3,175,355)</u>	<u>\$ (2,224,096)</u>	<u>\$ (1,989,480)</u>	<u>\$ 1,064,397</u>	<u>\$ 1,363,380</u>

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Expenses					
Governmental activities					
General government	\$ 1,241,306	\$ 1,546,229	\$ 1,304,460	\$ 2,309,934	\$ 1,867,701
Public safety	1,060,417	1,156,995	685,370	740,183	772,470
Highways	629,582	565,343	574,921	565,191	531,130
Conservation of natural resources	228,594	174,301	290,192	118,553	115,658
Health	1,242,850	1,263,956	953,881	1,103,928	891,325
Welfare	4,861,555	4,946,304	4,976,910	4,882,816	4,579,544
Lower education	3,976,645	4,187,868	3,572,983	3,389,834	3,299,413
Higher education	1,194,175	1,148,250	1,097,173	919,350	984,734
Other education	26,864	20,058	18,358	16,933	20,593
Culture and recreation	186,847	148,600	143,857	117,785	374,727
Urban redevelopment and housing	439,369	544,891	164,714	201,311	449,870
Economic development and assistance	351,284	427,437	114,320	265,549	403,426
Interest expense	301,283	282,467	251,309	219,989	257,218
Total governmental activities expenses	<u>15,740,771</u>	<u>16,412,699</u>	<u>14,148,448</u>	<u>14,851,356</u>	<u>14,547,809</u>
Business-type activities					
Airports	764,773	710,430	649,344	616,382	600,867
Harbors	117,455	101,410	103,772	107,980	107,371
Unemployment compensation	172,300	249,959	171,537	608,094	4,005,272
Nonmajor proprietary funds	169,651	159,082	116,627	120,826	98,462
Total business-type activities expenses	<u>1,224,179</u>	<u>1,220,881</u>	<u>1,041,280</u>	<u>1,453,282</u>	<u>4,811,972</u>
Total primary government expenses	<u>\$ 16,964,950</u>	<u>\$ 17,633,580</u>	<u>\$ 15,189,728</u>	<u>\$ 16,304,638</u>	<u>\$ 19,359,781</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 954,586	\$ 300,168	\$ 310,304	\$ 237,404	\$ 229,268
Health	184,272	110,343	119,847	142,621	140,442
Other	463,878	468,930	515,676	436,310	334,200
Operating grants and contributions	5,350,239	5,521,905	5,242,283	6,121,649	5,030,769
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>6,952,975</u>	<u>6,401,346</u>	<u>6,188,110</u>	<u>6,937,984</u>	<u>5,734,679</u>
Business-type activities					
Charges for services					
Airports	731,902	679,027	604,719	539,502	328,629
Unemployment compensation	254,982	392,995	416,064	243,660	239,096
Others	360,574	338,254	321,007	325,324	323,230
Operating grants and contributions	3,133	30,670	75,471	1,387,833	3,206,169
Capital grants and contributions	205,708	143,689	116,033	45,611	83,411
Total business-type activities program revenues	<u>1,556,299</u>	<u>1,584,635</u>	<u>1,533,294</u>	<u>2,541,930</u>	<u>4,180,535</u>
Total primary government program revenues	<u>\$ 8,509,274</u>	<u>\$ 7,985,981</u>	<u>\$ 7,721,404</u>	<u>\$ 9,479,914</u>	<u>\$ 9,915,214</u>
Net revenue (expense)					
Governmental activities	\$ (8,787,796)	\$ (10,011,353)	\$ (7,960,338)	\$ (7,913,372)	\$ (8,813,130)
Business-type activities	332,120	363,754	492,014	1,088,648	(631,437)
Total primary government net expenses	<u>\$ (8,455,676)</u>	<u>\$ (9,647,599)</u>	<u>\$ (7,468,324)</u>	<u>\$ (6,824,724)</u>	<u>\$ (9,444,567)</u>

Notes: Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.
Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.
Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.
Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.
Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.
Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

	2020	2019	2018	2017	2016
\$	1,129,769	\$ 1,054,935	\$ 920,547	\$ 631,052	\$ 688,394
	642,353	675,663	639,888	552,671	485,985
	531,105	552,741	614,847	457,374	399,997
	109,093	224,266	118,637	161,924	107,740
	1,138,450	1,019,160	874,898	889,216	878,610
	3,678,820	3,379,304	3,542,771	3,481,679	3,343,392
	3,595,747	3,527,097	3,404,645	3,157,517	2,840,782
	1,050,582	950,253	950,843	899,199	673,217
	16,936	18,376	23,827	27,248	23,379
	155,261	110,711	89,647	106,875	106,511
	246,495	179,794	392,921	245,819	122,981
	4,868	174,629	170,200	161,077	163,935
	244,994	251,294	311,340	212,042	210,204
	<u>12,544,473</u>	<u>12,118,223</u>	<u>12,055,011</u>	<u>10,983,693</u>	<u>10,045,127</u>
	559,374	469,321	429,884	408,517	377,393
	98,998	85,007	92,978	101,180	93,088
	2,147,598	165,134	177,009	173,735	144,481
	108,798	103,954	96,548	110,907	112,323
	<u>2,914,768</u>	<u>823,416</u>	<u>796,419</u>	<u>794,339</u>	<u>727,285</u>
	<u>\$ 15,459,241</u>	<u>\$ 12,941,639</u>	<u>\$ 12,851,430</u>	<u>\$ 11,778,032</u>	<u>\$ 10,772,412</u>
\$	292,428	\$ 302,275	\$ 319,043	\$ 289,116	\$ 209,598
	130,082	138,013	126,046	143,363	136,429
	375,479	393,958	479,847	357,034	371,823
	3,597,822	3,082,678	3,154,479	3,068,752	2,986,842
	-	-	-	-	113,006
	<u>4,395,811</u>	<u>3,916,924</u>	<u>4,079,415</u>	<u>3,858,265</u>	<u>3,817,698</u>
	475,064	562,436	587,602	511,018	459,269
	1,391,747	193,093	186,239	176,212	187,215
	329,283	296,920	283,586	269,694	218,552
	-	-	-	-	-
	<u>95,720</u>	<u>78,010</u>	<u>37,956</u>	<u>51,091</u>	<u>80,173</u>
	<u>2,291,814</u>	<u>1,130,459</u>	<u>1,095,383</u>	<u>1,008,015</u>	<u>945,209</u>
	<u>\$ 6,687,625</u>	<u>\$ 5,047,383</u>	<u>\$ 5,174,798</u>	<u>\$ 4,866,280</u>	<u>\$ 4,762,907</u>
\$	(8,148,662)	\$ (8,201,299)	\$ (7,975,596)	\$ (7,125,428)	\$ (6,227,429)
	(622,954)	307,043	298,964	213,676	217,924
	<u>\$ (8,771,616)</u>	<u>\$ (7,894,256)</u>	<u>\$ (7,676,632)</u>	<u>\$ (6,911,752)</u>	<u>\$ (6,009,505)</u>

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 4,967,728	\$ 4,808,955	\$ 4,772,516	\$ 3,890,136	\$ 3,438,088
Net income tax – corporations and individuals	3,691,274	3,805,475	3,627,205	3,784,904	3,254,330
Public service companies tax	154,478	159,222	142,195	122,068	125,201
Transient accommodations tax	810,721	810,987	843,929	659,646	195,410
Tobacco and liquor tax	122,247	127,161	132,051	140,263	141,522
Liquid fuel tax	77,562	78,105	79,272	78,674	69,351
Tax on premiums of insurance companies	222,126	214,455	207,073	198,479	188,229
Vehicle weight and registration tax	149,027	130,022	139,514	138,579	143,242
Rental motor/tour vehicle surcharge tax	117,981	105,650	101,450	79,575	32,206
Franchise tax	10,296	30,912	30,969	59,252	5,079
Other tax	491,748	142,552	1,003,338	307,865	106,457
Interest and investment income	287,883	640,421	193,071	54,743	30,759
Net increase (decrease) in fair value of investments	181,272	(246,674)	(131,483)	(298,277)	-
Other	27,503	-	-	(7,811)	-
Assumption agreement with State, net	-	-	-	-	-
Debt cancellation with State	-	-	-	-	-
Total governmental activities	<u>11,311,846</u>	<u>10,807,243</u>	<u>11,141,100</u>	<u>9,208,096</u>	<u>7,729,874</u>
Business-type activities					
Interest and investment income	122,170	107,419	61,913	7,550	88,509
Other	2,520	-	-	(4,549)	-
Total business-type activities	<u>124,690</u>	<u>107,419</u>	<u>61,913</u>	<u>3,001</u>	<u>88,509</u>
Total primary government	<u>\$ 11,436,536</u>	<u>\$ 10,914,662</u>	<u>\$ 11,203,013</u>	<u>\$ 9,211,097</u>	<u>\$ 7,818,383</u>
Changes in net position					
Governmental activities	\$ 2,524,050	\$ 795,890	\$ 3,180,762	\$ 1,294,724	\$ (1,083,256)
Business-type activities	456,810	471,173	553,927	1,091,649	(542,928)
Total primary government	<u>\$ 2,980,860</u>	<u>\$ 1,267,063</u>	<u>\$ 3,734,689</u>	<u>\$ 2,386,373</u>	<u>\$ (1,626,184)</u>

Notes: Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.

Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 3,667,538	\$ 3,794,587	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469
2,661,618	2,728,991	2,407,338	2,330,408	2,160,872
134,639	126,691	117,641	122,159	152,760
304,012	356,670	304,521	299,712	233,082
150,065	151,438	157,988	160,906	161,239
79,187	85,146	85,211	84,933	89,702
183,563	176,420	162,318	166,836	154,690
125,119	136,142	135,080	132,974	130,051
72,502	57,994	54,846	53,189	54,873
35,271	26,808	15,712	11,174	14,691
157,623	156,632	145,861	103,204	109,072
164,354	40,141	36,527	30,676	22,564
-	-	-	-	-
-	(2,797)	4,538	-	(13,300)
-	-	(250,697)	-	-
-	(224,110)	-	-	-
<u>7,735,491</u>	<u>7,610,753</u>	<u>6,930,859</u>	<u>6,685,770</u>	<u>6,462,765</u>
84,866	48,887	27,352	25,324	21,276
-	-	-	-	-
<u>84,866</u>	<u>48,887</u>	<u>27,352</u>	<u>25,324</u>	<u>21,276</u>
<u>\$ 7,820,357</u>	<u>\$ 7,659,640</u>	<u>\$ 6,958,211</u>	<u>\$ 6,711,094</u>	<u>\$ 6,484,041</u>
\$ (413,171)	\$ (590,546)	\$ (1,044,737)	\$ (439,658)	\$ 235,336
(538,088)	355,930	326,316	239,000	239,200
<u>\$ (951,259)</u>	<u>\$ (234,616)</u>	<u>\$ (718,421)</u>	<u>\$ (200,658)</u>	<u>\$ 474,536</u>

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General Fund					
Assigned	\$ 1,512,789	\$ 1,528,248	\$ 940,472	\$ 407,353	\$ 390,666
Unassigned	2,690,880	2,107,988	3,618,495	2,732,304	1,169,873
Total General Fund	<u>\$ 4,203,669</u>	<u>\$ 3,636,236</u>	<u>\$ 4,558,967</u>	<u>\$ 3,139,657</u>	<u>\$ 1,560,539</u>
All other governmental funds					
Restricted	\$ 72	\$ 72	\$ 254	\$ 272	\$ 247
Committed	662,833	124,603	101,697	89,889	667,104
Assigned	4,840,551	4,311,486	3,125,868	2,284,971	2,092,883
Unassigned	(823,751)	(760,644)	(564,372)	(396,277)	(183,242)
Total all other governmental funds	<u>\$ 4,679,705</u>	<u>\$ 3,675,517</u>	<u>\$ 2,663,447</u>	<u>\$ 1,978,855</u>	<u>\$ 2,576,992</u>

Note: Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 479,071	\$ 475,242	\$ 503,201	\$ 400,529	\$ 394,581
<u>789,518</u>	<u>1,147,073</u>	<u>974,719</u>	<u>1,305,542</u>	<u>1,400,783</u>
<u>\$ 1,268,589</u>	<u>\$ 1,622,315</u>	<u>\$ 1,477,920</u>	<u>\$ 1,706,071</u>	<u>\$ 1,795,364</u>
\$ 16,018	\$ 22,006	\$ 25,653	\$ 110,750	\$ 15,557
1,041,570	823,958	805,502	688,980	401,313
1,316,396	1,267,999	1,226,984	1,117,520	1,199,080
<u>(362,148)</u>	<u>(210,972)</u>	<u>(68,660)</u>	<u>(116,880)</u>	<u>(340,671)</u>
<u>\$ 2,011,836</u>	<u>\$ 1,902,991</u>	<u>\$ 1,989,479</u>	<u>\$ 1,800,370</u>	<u>\$ 1,275,279</u>

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds (Unaudited)
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Revenues	(4)				
Taxes					
General excise tax	\$ 4,958,060	\$ 4,800,303	\$ 4,748,420	\$ 3,893,006	\$ 3,437,755
Net income tax – corporations and individuals	3,677,474	3,795,123	3,631,310	3,758,447	3,233,174
Public service companies tax	154,478	159,222	142,195	122,068	125,201
Transient accommodations tax	811,504	811,415	842,229	661,330	194,095
Tobacco and liquor tax	122,247	127,162	132,051	140,262	141,522
Liquid fuel tax	77,562	78,105	79,272	78,674	69,351
Tax on premiums of insurance companies	222,126	214,455	207,074	198,478	188,229
Vehicle weight and registration tax	149,027	130,023	139,514	138,579	143,242
Rental motor/tour vehicle surcharge tax	117,981	105,650	101,450	79,574	32,206
Franchise tax	10,296	30,912	30,969	59,252	5,079
Other	491,759	142,529	1,003,314	307,868	106,457
Total taxes	<u>10,792,514</u>	<u>10,394,899</u>	<u>11,057,798</u>	<u>9,437,538</u>	<u>7,676,311</u>
Interest and investment income	287,883	640,421	193,071	54,739	30,759
Net increase (decrease) in fair value of investments	181,272	(246,674)	(131,483)	(298,277)	-
Charges for current services	591,918	499,994	480,195	487,273	401,403
Intergovernmental	4,613,423	4,746,175	4,807,463	5,801,691	4,741,176
Rentals	66,632	60,489	42,737	40,153	31,316
Fines, forfeitures and penalties	25,519	25,925	32,078	28,882	32,081
Licenses and fees	55,301	52,604	49,507	50,668	42,577
Revenues from private sources	703,422	141,480	145,992	127,760	138,520
Other	896,757	874,672	630,964	414,994	356,653
Total revenues	<u>18,214,641</u>	<u>17,189,985</u>	<u>17,308,322</u>	<u>16,145,421</u>	<u>13,450,796</u>
Expenditures					
Current					
General government	1,313,948	1,345,868	1,696,558	2,023,088	1,708,337
Public safety	1,104,507	1,231,313	726,842	744,838	746,822
Highways	802,233	681,859	599,886	561,216	448,647
Conservation of natural resources	251,181	208,022	166,058	134,505	137,459
Health	1,289,124	1,313,109	1,000,432	1,090,851	1,040,285
Welfare	4,892,457	4,958,882	5,006,768	4,869,981	4,599,447
Lower education	4,337,599	4,523,479	4,071,444	3,507,290	3,451,175
Higher education	1,194,175	1,148,250	1,097,173	919,351	984,734
Other education	26,864	20,058	18,358	16,933	20,593
Culture and recreation	182,998	145,388	140,764	116,598	377,419
Urban redevelopment and housing	220,933	170,632	83,168	98,161	89,826
Economic development and assistance	412,172	515,693	219,376	267,845	238,956
Housing	298,839	407,184	95,028	113,095	355,350
Other	53,527	88,324	13,575	99,661	20,144
Debt service					
Principal	811,458	811,458	793,097	699,248	522,640
Interest and others	344,807	328,651	314,754	323,719	330,893
Total expenditures	<u>17,536,822</u>	<u>17,898,170</u>	<u>16,043,281</u>	<u>15,586,380</u>	<u>15,072,727</u>
Excess (deficiency) of expenditures over revenues	677,819	(708,185)	1,265,041	559,041	(1,621,931)
Other financing sources (uses)					
Proceeds from borrowing and refunding	752,032	751,920	808,194	1,912,154	2,333,941
Payments to escrow agent	-	-	-	(1,210,136)	(400,000)
Issuance of leases (1)	8,442	20,627	13,561	10,180	-
Issuance of subscription assets (2)	26,187	24,977	17,147	-	-
Transfers in	2,203,464	2,399,417	2,418,125	1,760,858	2,632,432
Transfers out	(2,203,464)	(2,399,417)	(2,418,125)	(1,760,858)	(2,632,432)
Other	-	-	(38)	-	-
Total other financing sources	<u>786,661</u>	<u>797,524</u>	<u>838,864</u>	<u>712,198</u>	<u>1,933,941</u>
Net change in fund balances	<u>\$ 1,464,480</u>	<u>\$ 89,339</u>	<u>\$ 2,103,905</u>	<u>\$ 1,271,239</u>	<u>\$ 312,010</u>
Total debt service as a percent of noncapital expenditures (3)	<u>7.1 %</u>	<u>7.0 %</u>	<u>7.6 %</u>	<u>7.0 %</u>	<u>6.3 %</u>

- (1) Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.
- (2) Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.
- (3) Total debt service as a percent of noncapital expenditures is computed by debt service principal plus debt service interest and others divided by total expenditures less capital outlay.
- (4) Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 3,632,630	\$ 3,794,585	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469
2,657,551	2,718,654	2,456,674	2,286,017	2,157,879
134,639	126,691	117,641	122,159	152,760
303,176	356,670	304,521	299,712	233,082
150,065	151,438	157,988	160,906	161,239
79,187	85,146	85,211	84,933	89,702
183,563	176,420	162,318	166,836	154,690
125,119	136,142	135,080	132,974	130,051
72,502	57,994	54,846	53,189	54,873
35,271	26,808	15,712	11,174	14,691
157,591	156,632	145,861	103,204	109,072
<u>7,531,294</u>	<u>7,787,180</u>	<u>7,189,827</u>	<u>6,610,703</u>	<u>6,450,508</u>
164,354	40,141	36,527	30,676	22,564
-	-	-	-	-
495,009	518,531	477,717	460,211	431,181
3,333,396	2,783,538	2,878,717	2,938,557	2,995,768
35,035	38,031	35,466	35,530	32,371
28,579	37,513	38,767	39,203	35,738
45,763	47,965	47,066	46,893	45,738
128,401	122,017	184,661	105,857	126,450
329,624	369,425	428,066	248,389	169,533
<u>12,091,455</u>	<u>11,744,341</u>	<u>11,316,814</u>	<u>10,516,019</u>	<u>10,309,851</u>
1,137,274	1,007,554	807,032	701,083	673,236
612,091	634,120	579,980	531,545	479,047
500,212	526,148	609,538	461,523	389,744
167,383	145,383	157,639	180,697	181,563
1,096,444	1,009,545	827,592	873,703	876,820
3,653,210	3,332,469	3,495,974	3,442,279	3,349,414
3,351,308	3,334,110	3,226,275	2,973,583	2,828,013
1,050,582	950,253	950,843	899,199	673,217
16,936	18,376	23,827	27,248	23,379
143,739	116,381	104,964	104,655	101,351
78,061	79,236	124,292	63,807	54,446
166,387	152,592	167,614	179,127	159,483
153,411	85,032	256,386	133,010	58,381
13,293	13,691	12,388	10,613	20,193
564,222	464,518	464,518	484,274	444,791
332,279	390,856	321,150	296,482	315,321
<u>13,036,832</u>	<u>12,260,264</u>	<u>12,130,012</u>	<u>11,362,828</u>	<u>10,628,399</u>
(945,377)	(515,923)	(813,198)	(846,809)	(318,548)
700,496	644,962	1,200,004	2,161,677	1,835,677
-	(69,730)	(424,887)	(879,070)	(989,950)
-	-	-	-	-
-	-	-	-	-
1,324,903	1,214,773	1,291,815	1,444,931	1,276,279
(1,324,903)	(1,214,773)	(1,291,815)	(1,444,931)	(1,276,279)
-	(1,402)	(961)	-	46,986
<u>700,496</u>	<u>573,830</u>	<u>774,156</u>	<u>1,282,607</u>	<u>892,713</u>
<u>\$ (244,881)</u>	<u>\$ 57,907</u>	<u>\$ (39,042)</u>	<u>\$ 435,798</u>	<u>\$ 574,165</u>
<u>7.4 %</u>	<u>7.6 %</u>	<u>6.8 %</u>	<u>7.3 %</u>	<u>7.7 %</u>

State of Hawaii
Revenue Capacity Information
Personal Income by Industry (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Farm earnings	\$ 363	\$ 250	\$ 279	\$ 208	\$ 286
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	N/A	92	86	N/A	94
Mining	43	47	39	31	27
Construction	5,541	5,188	4,753	4,686	4,786
Manufacturing – durable and nondurable goods	N/A	1,075	1,041	653	976
Subtotal goods-producing industries	5,584	6,402	5,919	5,370	5,883
Service-producing industries					
Transportation, communication and utilities	4,421	4,044	3,671	3,376	2,965
Trade	5,695	5,418	5,130	4,981	4,784
Information	1,138	1,073	1,025	1,064	865
Finance, insurance and real estate	5,429	4,951	4,515	4,094	4,216
Service	28,242	27,154	25,387	23,493	20,480
State and local government	9,390	8,183	7,592	7,638	7,601
Federal government	11,201	10,704	9,719	9,400	8,746
Subtotal service-producing industries	65,516	61,527	57,039	54,046	49,657
Total nonfarm wage and salary worker	71,100	67,929	62,958	59,416	55,540
Other (1)	32,850	29,415	28,211	26,387	29,613
Total personal income	\$ 104,313	\$ 97,594	\$ 91,448	\$ 86,011	\$ 85,439
Total direct income tax rate (2)	N/A	N/A	N/A	N/A	N/A

N/A Not Available

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(2) The total direct rate for personal income is not available.

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER).
Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAIC industry.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 249	\$ 271	\$ 284	\$ 274	\$ 284
90	97	94	87	76
32	31	35	35	39
4,531	4,538	4,372	4,391	4,038
948	975	959	921	918
<u>5,601</u>	<u>5,641</u>	<u>5,460</u>	<u>5,434</u>	<u>5,071</u>
4,802	3,064	2,965	2,714	2,639
3,170	4,841	4,659	4,574	4,419
830	893	766	711	742
3,714	3,626	3,373	3,192	3,051
21,500	21,964	21,051	19,595	19,087
7,313	7,235	6,907	6,970	6,949
9,219	8,990	8,505	8,491	8,614
<u>50,548</u>	<u>50,613</u>	<u>48,226</u>	<u>46,247</u>	<u>45,501</u>
<u>56,149</u>	<u>56,254</u>	<u>53,686</u>	<u>51,681</u>	<u>50,572</u>
<u>27,963</u>	<u>23,638</u>	<u>22,506</u>	<u>21,042</u>	<u>19,814</u>
<u>\$ 84,361</u>	<u>\$ 80,163</u>	<u>\$ 76,476</u>	<u>\$ 72,997</u>	<u>\$ 70,670</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates (Unaudited)
Ten Years Ended December 31, 2025

Top Income Tax Rate is Applied to Taxable Income in Excess of

Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2025	11.00% + \$25,966	\$ 325,000	11.00% + \$51,932	\$ 650,000	11.00% + \$38,949	\$ 487,500
2024	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2023	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2022	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2021	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2020	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2019	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2018	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2017	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2016	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000

Source: State of Hawaii, Department of Taxation.

See accompanying report of independent auditors.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Taxable sales by activities					
Retailing	\$ 49,108	\$ 48,142	\$ 47,555	\$ 43,307	\$ 33,368
Services	22,450	21,020	20,178	18,256	15,345
Contracting	14,786	12,686	11,268	10,327	10,029
Hotel rentals	7,463	7,583	7,899	6,658	1,989
All other rentals	10,561	10,006	9,848	9,134	7,533
All other (4%)	7,309	7,573	7,471	6,874	4,493
Subtotal	<u>111,677</u>	<u>107,010</u>	<u>104,219</u>	<u>94,556</u>	<u>72,757</u>
Producing	372	393	389	382	342
Manufacturing	449	455	483	441	522
Wholesaling	25,673	25,600	24,739	22,501	16,837
Use (0.5%)	8,099	8,854	8,406	8,280	6,512
Services (intermediary)	1,428	1,254	1,546	1,079	865
Insurance solicitors	753	720	595	672	664
Subtotal	<u>36,774</u>	<u>37,276</u>	<u>36,158</u>	<u>33,355</u>	<u>25,742</u>
Total all activities	<u>\$ 148,451</u>	<u>\$ 144,286</u>	<u>\$ 140,377</u>	<u>\$ 127,911</u>	<u>\$ 98,499</u>

General excise and use tax are imposed on the gross income received by the business, as follows:

- 4% of sales of tangible personal property, services, contracting, theater amusement and broadcasting, commissions, transient accommodation rentals, other rentals, interest, and other business activities.
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale.
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 35,679	\$ 36,801	\$ 35,454	\$ 30,747	\$ 29,498
16,750	16,927	16,375	14,162	13,667
9,541	9,706	8,914	8,418	8,185
5,215	5,669	5,527	4,898	4,442
8,667	8,564	8,171	6,669	6,474
<u>5,893</u>	<u>6,543</u>	<u>6,545</u>	<u>5,918</u>	<u>5,407</u>
<u>81,745</u>	<u>84,210</u>	<u>80,986</u>	<u>70,812</u>	<u>67,673</u>
303	296	359	324	295
561	596	640	731	734
17,417	18,062	17,590	14,462	13,864
6,886	7,280	7,640	6,799	7,354
1,007	1,005	903	870	708
<u>702</u>	<u>754</u>	<u>650</u>	<u>495</u>	<u>485</u>
<u>26,876</u>	<u>27,993</u>	<u>27,782</u>	<u>23,681</u>	<u>23,440</u>
<u>\$ 108,621</u>	<u>\$ 112,203</u>	<u>\$ 108,768</u>	<u>\$ 94,493</u>	<u>\$ 91,113</u>

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2025		2024		2023		2022		2021	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Retailing	\$ 1,964,324	42.4 %	\$ 1,925,669	42.9 %	\$ 1,902,192	42.7 %	\$ 1,732,276	43.2 %	\$ 1,334,715	43.3 %
Services	898,004	19.3 %	840,801	18.7 %	807,109	18.1 %	730,258	18.2 %	613,791	19.9 %
Contracting	591,457	12.7 %	507,437	11.2 %	450,718	10.1 %	413,076	10.3 %	401,141	13.0 %
Theater, amusement, etc.	19,664	0.4 %	18,800	0.4 %	22,288	0.5 %	17,633	0.4 %	8,537	0.3 %
Interest	184,048	4.0 %	178,880	4.0 %	168,245	3.8 %	145,241	3.6 %	83,679	2.7 %
Commissions	58,498	1.3 %	56,740	1.3 %	60,453	1.4 %	71,372	1.8 %	51,715	1.7 %
Hotel rentals	298,533	6.4 %	303,308	6.8 %	315,969	7.1 %	266,321	6.6 %	79,578	2.6 %
All other rentals	422,424	9.1 %	400,254	8.9 %	393,914	8.9 %	365,344	9.1 %	301,321	9.8 %
Use (4%)	30,158	0.7 %	48,534	1.1 %	47,874	1.1 %	40,719	1.0 %	35,784	1.2 %
All other (4%)	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Producing	1,862	0.1 %	1,967	0.1 %	1,945	0.1 %	1,910	0.1 %	1,712	0.1 %
Manufacturing	2,244	0.0 %	2,274	0.1 %	2,414	0.1 %	2,203	0.1 %	2,612	0.1 %
Wholesaling	128,364	2.8 %	127,999	2.9 %	123,689	2.8 %	112,507	2.8 %	84,183	2.7 %
Use (0.5%)	40,496	0.9 %	44,269	1.0 %	42,029	0.9 %	41,402	1.0 %	32,560	1.1 %
Services (Intermediary)	7,139	0.3 %	6,271	0.2 %	7,730	0.3 %	5,395	0.1 %	4,324	0.1 %
Insurance solicitors	1,130	0.0 %	1,080	0.0 %	893	0.0 %	1,007	0.1 %	996	0.0 %
Unallocated collections	(17,949)	(0.40)%	16,773	0.4 %	95,190	2.1 %	63,245	1.6 %	43,546	1.4 %
Total	\$ 4,630,396	100.0 %	\$ 4,481,056	100.0 %	\$ 4,442,652	100.0 %	\$ 4,009,909	100.0 %	\$ 3,080,194	100.0 %

Note: Information for number of filers is not available.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

See accompanying report of independent auditors.

2020		2019		2018		2017		2016	
Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
\$ 1,427,180	41.5 %	\$ 1,472,039	41.5 %	\$ 1,418,176	41.8 %	\$ 1,229,860	38.0 %	\$ 1,179,911	36.8 %
670,010	19.5 %	677,082	19.1 %	655,007	19.3 %	566,466	17.5 %	546,684	17.1 %
381,641	11.1 %	388,249	11.0 %	356,576	10.5 %	336,717	10.4 %	327,394	10.2 %
16,661	0.5 %	19,978	0.6 %	19,182	0.6 %	17,248	0.5 %	15,931	0.5 %
127,396	3.7 %	141,903	4.0 %	142,359	4.2 %	134,441	4.2 %	1	0.0 %
51,076	1.5 %	54,981	1.6 %	55,832	1.6 %	49,209	1.5 %	44,777	1.4 %
208,581	6.1 %	226,764	6.4 %	221,084	6.5 %	195,919	6.0 %	177,671	5.5 %
346,685	10.1 %	342,572	9.7 %	326,823	9.6 %	266,758	8.2 %	258,977	8.1 %
40,580	1.2 %	44,847	1.3 %	44,390	1.3 %	35,845	1.1 %	35,620	1.1 %
-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	119,948	3.7 %
1,514	0.1 %	1,480	0.0 %	1,794	0.1 %	1,619	0.1 %	1,473	0.0 %
2,807	0.1 %	2,981	0.1 %	3,201	0.1 %	3,657	0.1 %	3,670	0.1 %
87,088	2.5 %	90,308	2.6 %	87,952	2.6 %	72,309	2.2 %	69,322	2.2 %
34,428	1.0 %	36,398	1.0 %	38,201	1.1 %	33,996	1.1 %	36,872	1.2 %
5,033	0.1 %	5,026	0.1 %	4,514	0.1 %	4,352	0.1 %	3,539	0.1 %
1,053	0.0 %	1,131	0.0 %	975	0.0 %	743	0.0 %	728	0.0 %
34,405	1.0 %	35,650	1.0 %	19,500	0.6 %	290,086	9.0 %	383,736	12.0 %
<u>\$ 3,436,138</u>	<u>100.0 %</u>	<u>\$ 3,541,389</u>	<u>100.0 %</u>	<u>\$ 3,395,566</u>	<u>100.0 %</u>	<u>\$ 3,239,225</u>	<u>100.0 %</u>	<u>\$ 3,206,254</u>	<u>100.0 %</u>

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Governmental activities					
General obligation bonds	\$ 8,888,440	\$ 8,954,554	\$ 9,024,693	\$ 9,041,510	\$ 8,870,454
Revenue bonds	548,160	599,743	650,537	700,427	753,505
Lease payable	60,320	66,171	60,504	60,798	10,179
Subscriptions payable	44,049	37,500	31,255	-	-
Financed purchases	72,959	82,180	90,646	101,631	108,665
Total governmental activities	<u>9,613,928</u>	<u>9,740,148</u>	<u>9,857,635</u>	<u>9,904,366</u>	<u>9,742,803</u>
Business-type activities					
General obligation bonds	5,154	8,131	10,966	13,667	16,239
Revenue bonds	3,174,409	2,597,661	2,671,137	2,716,839	2,519,961
Lease payable	600	769	953	242	-
Subscription payable	2,478	2,993	-	-	-
Financed purchases	138,692	159,976	178,596	195,592	210,803
Loan payable	-	-	-	-	-
Total business-type activities	<u>3,321,333</u>	<u>2,769,530</u>	<u>2,861,652</u>	<u>2,926,340</u>	<u>2,747,003</u>
Total primary government	<u>\$ 12,935,261</u>	<u>\$ 12,509,678</u>	<u>\$ 12,719,287</u>	<u>\$ 12,830,706</u>	<u>\$ 12,489,806</u>
Hawaii total personal income	\$104,313,000	\$ 97,594,000	\$ 91,448,000	\$ 86,011,000	\$ 85,439,000
Debt as a percentage of personal income	12.4 %	12.8 %	13.9 %	14.9 %	14.6 %
Hawaii population	1,445	1,432	1,436	1,435	1,455
Amount of debt per capita	\$ 8,952	\$ 8,736	\$ 8,857	\$ 8,941	\$ 8,584

Notes: Details regarding the State's outstanding debt can be found in the notes to basic financial statements.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.

Source: State of Hawaii, Annual Comprehensive Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 7,294,070	\$ 7,914,382	\$ 7,912,206	\$ 7,635,827	\$ 6,953,431
623,120	571,306	633,073	692,742	615,120
-	-	-	-	-
-	-	-	-	-
<u>115,147</u>	<u>122,922</u>	<u>129,897</u>	<u>143,622</u>	<u>149,477</u>
<u>8,032,337</u>	<u>8,608,610</u>	<u>8,675,176</u>	<u>8,472,191</u>	<u>7,718,028</u>
18,690	21,026	23,255	25,377	27,400
2,093,075	1,968,315	1,567,305	1,375,442	1,429,980
-	-	-	-	-
-	-	-	-	-
224,375	236,147	244,979	252,806	179,985
-	76,000	76,000	76,000	34,910
<u>2,336,140</u>	<u>2,301,488</u>	<u>1,911,539</u>	<u>1,729,625</u>	<u>1,672,275</u>
<u>\$ 10,368,477</u>	<u>\$ 10,910,098</u>	<u>\$ 10,586,715</u>	<u>\$ 10,201,816</u>	<u>\$ 9,390,303</u>
\$ 84,361,000	\$ 80,163,000	\$ 76,476,000	\$ 72,997,000	\$ 71,767,000
12.3 %	13.6 %	13.8 %	14.0 %	13.1 %
1,416	1,422	1,435	1,428	1,429
\$ 7,322	\$ 7,672	\$ 7,378	\$ 7,144	\$ 6,571

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less: Debt Services Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2025	\$ 148,541,000	1,445	\$ 8,893,594	\$ 72	\$ 8,893,522	6.0 %	6,155
2024	144,286,000	1,432	8,962,685	72	8,962,613	6.2 %	6,259
2023	140,376,000	1,436	9,035,659	257	9,035,402	6.4 %	6,292
2022	127,811,000	1,435	9,055,177	272	9,054,905	7.1 %	6,310
2021	98,499,000	1,455	8,886,693	247	8,886,446	9.0 %	6,108
2020	108,621,000	1,416	7,312,760	152	7,312,608	6.7 %	5,164
2019	112,203,000	1,422	7,935,408	-	7,935,408	7.1 %	5,580
2018	108,768,000	1,435	7,935,461	-	7,935,461	7.3 %	5,530
2017	94,493,000	1,428	7,661,204	35	7,661,169	8.1 %	5,365
2016	91,113,000	1,429	6,980,831	35	6,980,796	7.7 %	4,885

- (1) **Source:** State of Hawaii, Department of Taxation.
- (2) **Source:** State of Hawaii, Department of Business, Economic Development and Tourism – Census Data.
- (3) **Source:** State of Hawaii, Department of Accounting and General Services, Accounting Division.
- (4) Excludes Component Units.

See accompanying report of independent auditors.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Average general fund revenues of the three preceding fiscal years	\$ 10,691,495	\$ 10,339,721	\$ 9,546,317	\$ 8,695,460	\$ 7,930,471
Constitutional debt limit percentage	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>
Constitutional debt limit for total principal and interest payable in a current or future year	1,977,927	1,912,848	1,766,069	1,608,660	1,467,137
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	<u>(1,095,856)</u>	<u>(1,035,295)</u>	<u>(1,017,620)</u>	<u>(973,637)</u>	<u>(917,238)</u>
Legal debt margin	<u>\$ 882,071</u>	<u>\$ 877,553</u>	<u>\$ 748,449</u>	<u>\$ 635,023</u>	<u>\$ 549,899</u>
Legal debt margin as a percentage of the debt limit	<u>44.6 %</u>	<u>45.9 %</u>	<u>42.4 %</u>	<u>39.5 %</u>	<u>37.5 %</u>

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

See accompanying report of independent auditors.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 7,732,620	\$ 7,637,553	\$ 7,359,330	\$ 6,997,106	\$ 6,577,966
<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>
1,430,535	1,412,947	1,361,476	1,294,465	1,216,924
<u>(753,610)</u>	<u>(836,170)</u>	<u>(792,143)</u>	<u>(739,852)</u>	<u>(712,590)</u>
\$ 676,925	\$ 576,777	\$ 569,333	\$ 554,613	\$ 504,334
<u>47.3 %</u>	<u>40.8 %</u>	<u>41.8 %</u>	<u>42.8 %</u>	<u>41.4 %</u>

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenue bonds – Airports										
Gross revenue (1)	\$ 700,567	\$ 669,421	\$ 613,800	\$ 575,402	\$ 403,145	\$ 486,117	\$ 495,315	\$ 466,317	\$ 431,726	\$ 381,404
Less: Operating expenses (2)	471,774	439,876	371,975	363,479	364,439	339,043	316,905	299,799	288,644	259,223
Net available revenue	228,793	229,545	241,825	211,923	38,706	147,074	178,410	166,518	143,082	122,181
Debt services										
Principal	43,410	37,665	33,650	445	430	44,690	42,585	40,755	38,935	37,290
Interest (3)	75,775	72,521	65,928	61,836	53,947	51,751	47,423	46,454	45,182	42,532
Total debt services	119,185	110,186	99,578	62,281	54,377	96,441	90,008	87,209	84,117	79,822
Coverage (4)	192 %	208 %	243 %	340 %	71 %	153 %	198 %	191 %	170 %	153 %
Revenue bonds – Harbors										
Gross revenue (5)	\$ 252,266	\$ 244,524	\$ 229,446	\$ 205,340	\$ 183,738	\$ 183,623	\$ 198,605	\$ 170,560	\$ 140,052	\$ 131,858
Less: Operating expenses (6)	60,603	59,681	59,274	55,018	48,491	48,834	47,461	53,543	53,396	47,133
Net available revenue	191,663	184,843	170,172	150,322	135,247	134,789	151,144	117,017	86,656	84,725
Debt services	27,706	27,706	33,245	28,350	28,350	28,940	28,936	29,114	31,176	31,187
Coverage (4)	692 %	667 %	512 %	530 %	477 %	466 %	522 %	402 %	278 %	272 %
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net available revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt services										
Principal	\$ 29,120	\$ 28,090	\$ 26,955	\$ 27,980	\$ 30,695	\$ 29,845	\$ 42,735	\$ 40,765	\$ 37,790	\$ 34,920
Interest	22,021	23,394	24,411	22,966	20,382	17,630	19,299	21,186	19,320	20,571
Total debt services	51,141	51,484	51,366	50,946	51,077	47,475	62,034	61,951	57,110	55,491
Coverage (7)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 20,506	\$ 20,347	\$ 17,864	\$ 19,984	\$ 15,922	\$ 16,434	\$ 17,361	\$ 17,564	\$ 15,867	\$ 14,730
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	20,506	20,347	17,864	19,984	15,922	16,434	17,361	17,564	15,867	14,730
Debt services										
Principal	2,070	1,970	1,875	1,920	1,695	1,655	1,575	1,100	850	810
Interest	939	1,038	1,131	1,221	1,306	1,372	1,435	887	2,163	2,201
Total debt services	3,009	3,008	3,006	3,141	3,001	3,027	3,010	1,987	3,013	3,011
Coverage (4)	681 %	676 %	594 %	636 %	531 %	543 %	577 %	884 %	527 %	489 %

N/A Not Available

- (1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.
- (2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.
- (3) For purposes of calculating the debt service requirement, interest payment for Airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

For fiscal years 2016, 2015 and 2014, Airports transferred \$4,000,000, \$18,500,000 and \$19,000,000, respectively, of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."
- (4) Revenue bond indentures require a minimum debt service coverage percentage of 125%.
- (5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
- (6) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.
- (7) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division.
Harbors Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division.
Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division.
DHHL Audited Financial Statements and Schedules of the State of Hawaii, Department of Hawaiian Home Lands.

See accompanying report of independent auditors.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2019	2019	2018	2017	2016
Population (in thousands)										
State	\$ 1,445	\$ 1,432	\$ 1,436	\$ 1,435	\$ 1,455	\$ 1,416	\$ 1,422	\$ 1,435	\$ 1,428	\$ 1,429
Percentage change	0.91 %	(0.28)%	0.07 %	(1.37)%	2.75 %	(0.42)%	(0.91)%	0.49 %	(0.07)%	(0.21)%
National	\$ 342,029	\$ 336,668	\$ 335,652	\$ 332,834	\$ 332,473	\$ 329,872	\$ 331,884	\$ 327,734	\$ 325,719	\$ 323,128
Percentage change	1.59 %	0.30 %	0.85 %	0.11 %	0.79 %	(0.61)%	1.27 %	0.62 %	0.80 %	0.53 %
Total personal income (in millions)										
State	\$ 104,313	\$ 97,594	\$ 91,448	\$ 86,011	\$ 85,439	\$ 84,361	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670
Percentage change	6.88 %	6.72 %	6.32 %	0.67 %	1.28 %	5.24 %	4.82 %	4.77 %	3.29 %	3.32 %
National	\$ 24,802,900	\$ 23,672,700	\$ 22,080,630	\$ 20,805,550	\$ 18,670,430	\$ 17,829,250	\$ 17,855,326	\$ 17,189,635	\$ 16,152,011	\$ 15,725,128
Percentage change	4.77 %	7.21 %	6.13 %	11.44 %	4.72 %	(0.15)%	3.87 %	6.42 %	2.71 %	4.89 %
Per capita personal income (in thousands)										
State	\$ 72,189	\$ 68,152	\$ 63,683	\$ 60,210	\$ 58,721	\$ 59,577	\$ 56,373	\$ 53,293	\$ 51,118	\$ 49,454
Percentage change	5.92 %	7.02 %	5.77 %	2.54 %	(1.44)%	5.68 %	5.78 %	4.25 %	3.36 %	6.07 %
National	\$ 72,517	\$ 70,315	\$ 65,784	\$ 62,510	\$ 56,156	\$ 54,049	\$ 53,890	\$ 52,450	\$ 49,589	\$ 48,665
Percentage change	3.13 %	6.89 %	5.24 %	11.31 %	3.90 %	0.30 %	2.75 %	5.77 %	1.90 %	4.34 %
Resident civilian labor force and employment										
Civilian labor force employed	664,200	653,763	655,546	642,879	576,163	612,221	656,546	669,642	672,675	660,942
Unemployed	20,208	20,317	23,763	30,333	70,075	45,125	18,013	14,508	19,800	22,563
Unemployment rate	3.04 %	3.11 %	3.62 %	4.72 %	12.16 %	7.37 %	2.74 %	2.17 %	2.94 %	3.41 %

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

Source: State of Hawaii, Department of Business, Economic Development and Tourism – QSER.
Bureau of Economic Analysis – Regional Economic Accounts.
State of Hawaii, Department of Labor and Industrial Relations – Hawaii Workforce Infonet (HWI).

See accompanying report of independent auditors.

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers (Unaudited)
June 30, 2025 and June 30, 2016

2025			2016		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total State Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total State Employment</u>
Bank of Hawaii Corp.	1,792	0.3 %	Bank of Hawaii Corp.	2,216	0.3 %
First Hawaiian Bank	1,897	0.3 %	Hawaii Pacific Health	6,617	1.0 %
Hawaii Pacific Health	7,705	1.1 %	Hawaiian Electric Industries, Inc	3,918	0.6 %
Hawaiian Electric Industries, Inc.	2,602	0.4 %	Hawaiian Holdings, Inc.	5,548	0.8 %
Kaiser Foundation Health Plan & Hospitals	4,579	0.7 %	Kaiser Permanente Hawaii	4,424	0.6 %
Maui Health	1,676	0.2 %	Kamehameha Schools	2,114	0.3 %
Nan Inc.	1,491	0.2 %	Kyo-ya Hotels & Resorts LP	3,003	0.3 %
Prince Resorts Hawaii, Inc.	1,543	0.2 %	Outrigger Enterprises Group	3,684	0.5 %
Sheraton Waikiki	2,776	0.4 %	Securitas Security Services USA, Inc.	2,300	0.3 %
The Queen's Health Systems	9,537	1.4 %	The Queen's Health Systems	5,320	0.8 %

Note: Total Annual Average Employment for Hawaii for fiscal year 2025 – 685,000 and for fiscal year 2016 – 688,000.

Listed alphabetically.

Source: Pacific Business News, October 2025 Issue
State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor (Total State Employees).

See accompanying report of independent auditors.

State of Hawaii
Demographic and Economic Information
State Employees by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government	4,276	4,168	4,143	4,102	4,160	4,478	4,533	4,517	4,538	4,537
Public safety	3,099	3,067	2,691	3,030	3,094	3,161	3,207	3,265	3,336	3,316
Transportation	2,310	2,264	2,194	2,216	2,228	2,258	2,210	2,229	2,234	2,263
Conservation of natural resources	1,089	1,072	1,012	963	1,058	1,144	1,079	1,051	1,008	1,015
Health	5,662	5,448	5,284	5,149	5,103	5,204	5,246	5,325	5,127	6,544
Welfare	1,730	1,714	1,675	1,747	1,859	1,915	1,948	1,957	1,940	1,913
Lower education	22,034	21,820	21,537	21,815	21,581	21,995	22,122	22,016	21,531	21,841
Higher education	8,486	8,272	8,023	8,157	8,269	8,633	8,660	8,647	8,620	8,746
Other education	458	448	423	427	452	497	493	508	486	496
Urban redevelopment and housing	142	135	128	122	124	136	138	132	130	118
Economic development and assistance	1,080	853	927	764	810	698	702	814	730	749
Total	<u>50,366</u>	<u>49,261</u>	<u>48,037</u>	<u>48,492</u>	<u>48,738</u>	<u>50,119</u>	<u>50,338</u>	<u>50,461</u>	<u>49,680</u>	<u>51,538</u>

Source: State of Hawaii, Department of Human Resources Development.

See accompanying report of independent auditors.

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General government					
Tax Commission					
Total individual net income returns	803,145	801,433	775,194	766,585	883,260
Number of individual net income returns filed electronically	684,847	657,110	646,217	621,258	687,282
Percentage of individual net income returns transmitted electronically	85.27 %	81.99 %	83.36 %	81.04 %	77.81 %
Public safety					
Inmate population					
In-state facilities	2,868	2,837	3,230	3,120	2,981
Out-of-state facilities	921	1,121	923	1,029	1,189
Total	<u>3,789</u>	<u>3,958</u>	<u>4,153</u>	<u>4,149</u>	<u>4,170</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	50	50	50	50	50
Health					
Environmental health					
Air quality sites monitored	17	23	17	18	20
Water quality stations	197	197	197	197	197
Revolving loan funds	261	248	235	224	214
Mental health					
Adult consumers served	9,046	8,122	7,763	7,390	7,792
Individuals with developmental disabilities served	3,564	3,506	3,534	3,474	3,424
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	2,434	2,992	3,384	5,149	6,782
Average time on assistance	18.0	13.0	18.0	18.0	24.0
Monthly benefits paid for the month of July (in millions)	\$ 1.68	\$ 1.80	\$ 2.08	\$ 3.36	\$ 4.15
General assistance					
Individuals per month	4,432	4,622	4,217	4,456	6,529
Food stamp program					
Number of persons participating	158,516	162,733	156,967	178,486	176,513
Number of households participating	83,041	87,296	87,471	100,706	97,382
Benefits issued (in millions)	\$ 57.91	\$ 62.76	\$ 74.23	\$ 79.69	\$ 57.32
Medicaid programs					
Med-Quest enrollment	400,920	445,214	465,541	460,742	428,580

See accompanying report of independent auditors.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
693,152	838,441	808,183	704,250	768,261
543,820	579,720	552,464	536,273	529,527
78.46 %	69.14 %	68.36 %	76.15 %	68.93 %
3,326	3,991	4,017	4,052	4,584
1,199	1,507	1,460	1,617	1,386
<u>4,525</u>	<u>5,498</u>	<u>5,477</u>	<u>5,669</u>	<u>5,970</u>
50	51	52	54	54
21	20	20	14	14
197	197	187	169	160
208	200	192	186	176
7,990	7,124	8,328	9,295	7,828
3,548	3,251	2,956	2,863	2,738
4,569	4,362	4,813	5,750	6,918
16.7	19.7	18.1	18.1	18.1
\$ 2.71	\$ 2.48	\$ 2.26	\$ 2.98	\$ 3.90
5,634	5,396	5,575	5,651	5,676
154,669	154,161	164,788	170,850	173,780
79,811	79,702	84,297	85,491	87,636
\$ 37.07	\$ 36.89	\$ 39.78	\$ 40.26	\$ 40.23
361,912	336,202	353,058	352,991	350,358

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Lower education					
Number of schools	296	295	295	294	294
Number of students	167,076	169,308	170,209	173,178	176,441
Staff					
Classroom teachers	12,215	12,113	11,984	12,026	12,136
Librarians	81	84	89	88	114
Counselors	689	681	665	646	659
Administrators	1,188	1,134	1,079	1,064	1,095
Other support staff	9,255	9,097	9,078	9,108	9,246
Total	<u>23,428</u>	<u>23,109</u>	<u>22,895</u>	<u>22,932</u>	<u>23,250</u>
Higher education					
Enrollment					
Number of credit students	<u>51,411</u>	<u>50,418</u>	<u>48,933</u>	<u>48,373</u>	<u>49,773</u>
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	4,037	3,962	3,998	4,434	4,801
Bachelor's degrees					
Master's degrees/Professional diploma	4,621	4,216	4,281	4,681	4,558
Doctor's degrees/First Professional	1,005	1,023	1,032	1,004	905
Other	205	182	169	167	443
Total	<u>322</u>	<u>374</u>	<u>334</u>	<u>409</u>	<u>56</u>
Total	<u>10,190</u>	<u>9,757</u>	<u>9,814</u>	<u>10,695</u>	<u>10,763</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,836	4,499	4,464	4,692	4,461
University of Hawaii at Hilo	692	653	682	780	775
University of Hawaii at West Oahu	592	610	630	738	706
Hawaii Community College	504	451	423	523	530
Honolulu Community College	714	675	734	799	756
Kapiolani Community College	870	840	755	943	1,084
Kauai Community College	314	314	331	335	307
Leeward Community College	1,008	1,024	1,056	1,193	1,293
Maui Community College	385	407	401	442	572
Windward Community College	275	284	338	250	279
Total	<u>10,190</u>	<u>9,757</u>	<u>9,814</u>	<u>10,695</u>	<u>10,763</u>

Source: General Government – State of Hawaii, Department of Taxation.
Public Safety – State of Hawaii, Corrections and Rehabilitation.
Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
Health – State of Hawaii, Department of Health.
Welfare – State of Hawaii, Department of Human Services.
Lower Education – State of Hawaii, Department of Education.
Higher Education – University of Hawaii.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
293	292	292	290	290
181,088	181,278	180,837	181,550	181,995
12,221	12,132	12,033	11,782	11,747
126	135	143	149	160
660	660	653	634	634
1,093	1,056	1,036	995	943
9,236	9,194	9,277	9,039	9,113
23,336	23,177	23,142	22,599	22,597
49,594	49,977	51,063	51,674	53,418
4,800	5,191	4,912	5,102	5,192
4,473	4,681	4,693	4,735	4,841
1,031	868	1,035	1,040	1,126
489	479	513	482	472
54	80	62	49	49
10,847	11,299	11,215	11,408	11,680
4,519	4,551	4,726	4,712	5,104
801	895	942	955	893
709	643	613	623	474
552	587	586	576	693
922	906	778	900	886
1,100	1,212	1,276	1,356	1,383
290	343	211	258	248
1,087	1,135	1,102	1,019	1,057
593	701	638	668	594
274	326	343	341	348
10,847	11,299	11,215	11,408	11,680

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government										
Department of Accounting and General Services										
Buildings	75	75	78	79	84	79	79	79	79	81
Vehicles	619	607	659	655	677	692	675	644	644	673
Department of the Attorney General										
Buildings	6	7	7	8	6	6	6	6	6	6
Vehicles	8	8	8	8	8	4	3	3	3	4
The Judiciary										
Buildings	14	14	14	19	19	19	19	19	19	19
Vehicles	-	-	-	-	-	-	-	-	18	18
Other departments										
Buildings	17	17	15	20	19	21	21	21	21	21
Vehicles	6	6	4	4	4	3	3	3	3	3
Public safety										
Department of Corrections and Rehabilitation										
Buildings and correction facilities	76	76	76	76	83	76	76	76	76	76
Vehicles	368	401	393	375	367	370	354	353	290	302
Department of Defense										
Buildings	64	64	64	64	63	99	99	99	99	99
Vehicles	142	141	137	134	126	126	128	121	108	104
Department of Commerce and Consumer Affairs										
Buildings	5	5	5	4	4	4	4	4	4	4
Highways										
Department of Transportation										
Highway lane miles	2,491	2,491	2,491	2,491	2,477	2,478	2,497	2,489	2,489	2,487
Highway bridges	752	752	752	752	752	752	752	752	752	752
Buildings	39	39	39	40	41	40	40	40	40	40
Vehicles	988	1,039	1,032	1,048	1,065	1,063	1,077	1,101	1,043	989

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2025.

See accompanying report of independent auditors.

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	96	96	96	96	102	97	97	97	97	97
Vehicles	1,076	1,032	996	100	968	982	969	927	886	855
Department of Agriculture and Biosecurity										
Buildings	31	31	31	33	35	33	33	33	33	33
Vehicles	159	131	153	153	158	164	165	163	159	161
Health										
Department of Health										
Buildings	69	69	69	73	71	73	73	73	73	74
Vehicles	229	255	258	266	270	272	278	269	258	241
Welfare										
Department of Human Services										
Buildings	17	17	17	18	20	18	18	18	18	18
Vehicles	95	95	100	94	95	93	94	95	99	99
Lower education										
Department of Education										
Buildings	8	8	9	9	9	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	39	39	39	41	40	39	39	38	38	39
Vehicles	22	22	22	23	27	31	33	33	29	29
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	23	22	22	23	21	19	19	19	19	19
Vehicles	54	54	52	52	50	50	46	47	42	39
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	36	36	34	32	38	33	33	32	32	32
Vehicles	64	67	40	26	26	29	32	32	30	32
Department of Labor and Industrial Relations										
Buildings	7	7	7	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2

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APPENDIX C

EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII

ARTICLE VII TAXATION AND FINANCE LAPSING OF APPROPRIATIONS

Section 11. All appropriations for which the source is general obligation bond funds or general funds shall be for specified periods. No such appropriation shall be made for a period exceeding three years; provided that appropriations from the State Educational Facilities Improvement Special Fund may be made for periods exceeding three years to allow for construction or acquisition of public school facilities. Any such appropriation or any portion of any such appropriation that is unencumbered at the close of the fiscal period for which the appropriation is made shall lapse; provided that no appropriation for which the source is general obligation bond funds nor any portion of any such appropriation shall lapse if the legislature determines that the appropriation or any portion of the appropriation is necessary to qualify for federal aid financing and reimbursement. Where general obligation bonds have been authorized for an appropriation, the amount of the bond authorization shall be reduced in an amount equal to the amount lapsed.

DEFINITIONS; ISSUANCE OF INDEBTEDNESS

Section 12. For the purposes of this article:

1. The term “bonds” shall include bonds, notes and other instruments of indebtedness.
2. The term “general obligation bonds” means all bonds for the payment of the principal and interest of which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, includes reimbursable general obligation bonds.
3. The term “net revenues” or “net user tax receipts” means the revenues or receipts derived from:
 - a. A public undertaking, improvement or system remaining after the costs of operation, maintenance and repair of the public undertaking, improvement or system, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made; or
 - b. Any payments or return on security under a loan program or a loan thereunder, after the costs of operation and administration of the loan program, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made.
4. The term “dam and reservoir owner” means any person who has a right to, title to, or an interest in, a dam, a reservoir, or the property upon which a dam, a reservoir, or appurtenant work is located or proposed to be located.
5. The term “person” means an individual, firm, partnership, corporation, association, cooperative or other legal entity, governmental body or agency, board, bureau or other instrumentality thereof, or any combination of the foregoing.

6. The term “rates, rentals and charges” means all revenues and other moneys derived from the operation or lease of a public undertaking, improvement or system, or derived from any payments or return on security under a loan program or a loan thereunder; provided that insurance premium payments, assessments and surcharges, shall constitute rates, rentals and charges of a state property insurance program.

7. The term “reimbursable general obligation bonds” means general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be derived for the payment of the principal and interest as reimbursement to the general fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the general fund is required by law to be made from the revenue of the political subdivision.

8. The term “revenue bonds” means all bonds payable from the revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law, including a loan program to provide loans to a state property insurance program providing hurricane insurance coverage to the general public.

9. The term “special purpose revenue bonds” means all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law.

10. The term “user tax” means a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system; provided that mortgage recording taxes shall constitute user taxes of a state property insurance program.

The legislature, by a majority vote of the members to which each house is entitled, shall authorize the issuance of all general obligation bonds, bonds issued under special improvement statutes and revenue bonds issued by or on behalf of the State and shall prescribe by general law the manner and procedure for such issuance. The legislature by general law shall authorize political subdivisions to issue general obligation bonds, bonds issued under special improvement statutes and revenue bonds and shall prescribe the manner and procedure for such issuance. All such bonds issued by or on behalf of a political subdivision shall be authorized by the governing body of such political subdivision.

Special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist:

1. Manufacturing, processing or industrial enterprises;
2. Utilities serving the general public;
3. Health care facilities provided to the general public by not for profit corporations;
4. Early childhood education and care facilities provided to the general public by not for profit corporations;
5. Low and moderate income government housing programs;
6. Not for profit private nonsectarian and sectarian elementary schools, secondary schools, colleges and universities;

7. Agricultural enterprises; or

8. Dam and Reservoir Owners; provided that the bonds are issued for and the proceeds are used to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources, each of which is hereinafter referred to in this paragraph as a special purpose entity.

The legislature, by a two-thirds vote of the members to which each house is entitled, may enact enabling legislation for the issuance of special purpose revenue bonds separately for each special purpose entity, and, by a two-thirds vote of the members to which each house is entitled and by separate legislative bill, may authorize the State to issue special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the legislature; and provided further that the State may combine into a single issue of special purpose revenue bonds two or more proposed issues of special purpose revenue bonds to assist:

(1) Not for profit private nonsectarian and sectarian elementary schools, secondary schools, colleges, and universities;

(2) Dam and reservoir owners; or

(3) Agricultural enterprises, separately authorized as aforesaid, in the total amount of not exceeding the aggregate of the proposed separate issues of special purpose revenue bonds. The legislature may enact enabling legislation to authorize political subdivisions to issue special purpose revenue bonds. If so authorized, a political subdivision by a two-thirds vote of the members to which its governing body is entitled and by separate ordinance may authorize the issuance of special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the governing body of the political subdivision. No special purpose revenue bonds shall be secured directly or indirectly by the general credit of the issuer or by any revenues or taxes of the issuer other than receipts derived from payments by a person or persons under contract or from any security for such contract or contracts or special purpose revenue bonds and no moneys other than such receipts shall be applied to the payment thereof. The governor shall provide the legislature in November of each year with a report on the cumulative amount of all special purpose revenue bonds authorized and issued, and such other information as may be necessary.

DEBT LIMIT; EXCLUSIONS

Section 13. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to 20% of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance. Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys

received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section.

A sum equal to 15% of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt of such political subdivision that is outstanding and unpaid at any time.

All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal of general obligation bonds and of reimbursable general obligation bonds shall mature not later than five years from the date of issue of such series. The last installment on general obligation bonds shall mature not later than 25 years from the date of such issue and the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than 35 years from the date of such issue. The interest and principal payments of general obligation bonds shall be a first charge on the general fund of the State or political subdivision, as the case may be.

In determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under Section 12, the following shall be excluded:

1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year.

7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing body of the political subdivision has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such political subdivision.

8. Bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not otherwise excluded under this section; provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law.

9. Bonds issued by or on behalf of the State or by any political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

The total outstanding indebtedness of the State or funded debt of any political subdivision and the exclusions therefrom permitted by this section shall be made annually and certified by law or as provided by law. For the purposes of Section 12 and this section, amounts received from on-street parking may be considered and treated as revenues of a parking undertaking.

Nothing in Section 12 or in this section shall prevent the refunding of any bond at any time.

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APPENDIX D

GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII

As of March 1, 2026

**GENERAL OBLIGATION BONDS AND GENERAL OBLIGATION REFUNDING BONDS OF
THE STATE OF HAWAII
ISSUED AND OUTSTANDING**

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)
February 18, 2010	\$ 500,000,000, Series DX, BABs, Optional Make-Whole Redemptions	5.430%	February 1, 2027	\$37,605,000.00	\$163,200,000.00
		5.480	February 1, 2028	39,650,000.00	
		5.510	February 1, 2029	41,820,000.00	
		5.530	February 1, 2030	44,125,000.00	
December 4, 2012	\$ 26,000,000, Series EG, taxable	2.850%	November 1, 2026	\$1,655,000.00	\$12,760,000.00
		3.375	November 1, 2027	1,705,000.00	
		3.050	November 1, 2028	1,760,000.00	
		3.150	November 1, 2029	1,815,000.00	
		3.250	November 1, 2030	1,875,000.00	
		3.350	November 1, 2031	1,940,000.00	
		3.625	November 1, 2032	2,010,000.00	
November 21, 2013	\$ 25,000,000, Series EM	4.050%	August 1, 2026	\$1,540,000.00	\$ 14,450,000.00
		4.200	August 1, 2027	1,605,000.00	
		4.350	August 1, 2028	1,675,000.00	
		4.450	August 1, 2029	1,750,000.00	
		4.650	August 1, 2030	1,835,000.00	
		4.700	August 1, 2031	1,920,000.00	
		4.750	August 1, 2032	2,015,000.00	
		4.800	August 1, 2033	2,110,000.00	
November 21, 2013	\$ 29,795,000, Series EN, QSCB—Direct Payment	4.050%	August 1, 2026	\$1,860,000.00	\$14,880,000.00
		4.200	August 1, 2027	1,860,000.00	
		4.350	August 1, 2028	1,860,000.00	
		4.450	August 1, 2029	1,860,000.00	
		4.650	August 1, 2030	1,860,000.00	
		4.700	August 1, 2031	1,860,000.00	
		4.750	August 1, 2032	1,860,000.00	
		4.800	August 1, 2033	1,860,000.00	
November 25, 2014	\$ 575,000,000, Series EO	4.000%	August 1, 2026	\$440,000.00	\$ 314,740,000.00
		5.000	August 1, 2026	30,825,000.00	
		3.000	August 1, 2027	2,130,000.00	
		5.000	August 1, 2027	28,845,000.00	
		5.000	August 1, 2028	32,795,000.00	
		3.250	August 1, 2029	2,020,000.00	
		5.000	August 1, 2029	27,195,000.00	
		5.000	August 1, 2030	41,735,000.00	
		4.000	August 1, 2031	23,750,000.00	
		5.000	August 1, 2031	20,000,000.00	
		4.000	August 1, 2032	25,740,000.00	
		5.000	August 1, 2032	20,000,000.00	
		4.000	August 1, 2033	9,315,000.00	
		3.500	August 1, 2034	7,890,000.00	
		5.000	August 1, 2034	20,000,000.00	
		4.000	August 1, 2034	22,060,000.00	

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)			
November 25, 2014	\$ 25,000,000, Series EQ, taxable, Make-Whole Optional Redemption	3.357%	August 1, 2026	\$1,500,000.00	\$ 15,675,000.00			
		3.507	August 1, 2027	1,555,000.00				
		3.537	August 1, 2028	1,610,000.00				
		3.637	August 1, 2029	1,665,000.00				
		3.715	August 1, 2030	1,730,000.00				
		3.765	August 1, 2031	1,795,000.00				
		3.815	August 1, 2032	1,865,000.00				
		3.865	August 1, 2033	1,940,000.00				
		3.915	August 1, 2034	2,015,000.00				
		October 29, 2015	\$ 190,000,000, Series ET	4.000%		October 1, 2026	\$10,140,000.00	\$ 71,665,000.00
4.000	October 1, 2027			10,555,000.00				
3.000	October 1, 2028			5,000,000.00				
5.000	October 1, 2028			5,990,000.00				
3.000	October 1, 2029			11,385,000.00				
4.000	October 1, 2034			14,010,000.00				
4.000	October 1, 2035			14,585,000.00				
October 29, 2015	\$ 35,000,000, Series EU, Green Bonds			2.500%	October 1, 2026	\$ 1,875,000.00	\$ 21,600,000.00	
		3.000	October 1, 2027	1,930,000.00				
		3.000	October 1, 2028	1,985,000.00				
		3.000	October 1, 2029	2,050,000.00				
		3.125	October 1, 2030	2,110,000.00				
		3.250	October 1, 2031	2,180,000.00				
		3.250	October 1, 2032	2,250,000.00				
		3.250	October 1, 2033	2,325,000.00				
		3.375	October 1, 2034	2,405,000.00				
		3.500	October 1, 2035	2,490,000.00				
		October 29, 2015	\$ 212,120,000, Series EY, refunding	5.000	October 1, 2026	\$29,850,000.00		\$ 61,230,000.00
				5.000	October 1, 2027	31,380,000.00		
October 29, 2015	\$ 215,590,000, Series EZ, refunding	5.000	October 1, 2026	\$24,180,000.00	\$ 24,180,000.00			
October 29, 2015	\$ 25,000,000, Series FA, taxable, Make-Whole Optional Redemption	3.150%	October 1, 2026	\$ 1,325,000.00	\$ 15,695,000.00			
		3.350%	October 1, 2027	1,370,000.00				
		3.500%	October 1, 2028	1,415,000.00				
		3.650%	October 1, 2029	1,465,000.00				
		3.750%	October 1, 2030	1,520,000.00				
		3.950%	October 1, 2031	1,580,000.00				
		4.050%	October 1, 2032	1,645,000.00				
		4.180%	October 1, 2033	1,715,000.00				
		4.300%	October 1, 2034	1,790,000.00				
		4.400%	October 1, 2035	1,870,000.00				
April 14, 2016	\$ 500,000,000, Series FB	4.000%	April 1, 2026	\$26,025,000.00	\$349,540,000.00			
		5.000%	April 1, 2027	27,020,000.00				
		4.000%	April 1, 2028	28,370,000.00				
		4.000%	April 1, 2029	29,505,000.00				
		4.000%	April 1, 2030	30,685,000.00				
		4.000%	April 1, 2031	31,910,000.00				
		3.000%	April 1, 2032	33,190,000.00				
		3.000%	April 1, 2033	34,140,000.00				
		3.000%	April 1, 2034	35,165,000.00				
		3.000%	April 1, 2035	36,220,000.00				
		3.000%	April 1, 2036	37,310,000.00				
		April 14, 2016	\$ 219,690,000, Series FE, refunding	5.000%		October 1, 2026	\$24,620,000.00	\$ 77,715,000.00
				5.000%		October 1, 2027	25,885,000.00	
4.000%	October 1, 2028			200,000.00				
5.000%	October 1, 2028			27,010,000.00				
April 14, 2016	\$ 119,730,000, Series FF, refunding, taxable, Make-Whole Optional Redemption	2.652%	October 1, 2026	\$12,635,000.00	\$ 39,980,000.00			
		2.802%	October 1, 2027	12,985,000.00				
		2.902%	October 1, 2028	13,360,000.00				

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)			
October 13, 2016	\$ 375,000,000, Series FG	4.000%	October 1, 2026	\$ 5,000,000.00	\$265,700,000.00			
		5.000%	October 1, 2026	13,855,000.00				
		5.000%	October 1, 2027	19,795,000.00				
		5.000%	October 1, 2028	20,810,000.00				
		5.000%	October 1, 2029	21,875,000.00				
		5.000%	October 1, 2030	22,995,000.00				
		5.000%	October 1, 2031	24,180,000.00				
		4.000%	October 1, 2032	25,285,000.00				
		4.000%	October 1, 2033	26,320,000.00				
		4.000%	October 1, 2034	27,395,000.00				
		4.000%	October 1, 2035	28,515,000.00				
		4.000%	October 1, 2036	29,675,000.00				
		October 13, 2016	\$ 379,295,000, Series FH, refunding	5.000%		October 1, 2026	\$34,115,000.00	\$231,955,000.00
				5.000%		October 1, 2027	35,870,000.00	
5.000%	October 1, 2028			37,710,000.00				
5.000%	October 1, 2029			39,645,000.00				
4.000%	October 1, 2030			41,460,000.00				
4.000%	October 1, 2031			43,155,000.00				
October 13, 2016	\$ 2,710,000, Series FI, refunding	3.000%	October 1, 2026	\$ 195,000.00	\$ 1,830,000.00			
		5.000%	October 1, 2027	200,000.00				
		5.000%	October 1, 2028	210,000.00				
		5.000%	October 1, 2029	220,000.00				
		5.000%	October 1, 2030	235,000.00				
		5.000%	October 1, 2031	240,000.00				
		5.000%	October 1, 2032	255,000.00				
		5.000%	October 1, 2033	275,000.00				
May 24, 2017	\$ 575,000,000, Series FK	3.000%	May 1, 2026	\$695,000.00	\$431,340,000.00			
		4.000%	May 1, 2026	85,000.00				
		5.000%	May 1, 2026	27,045,000.00				
		3.000%	May 1, 2027	475,000.00				
		4.000%	May 1, 2027	1,375,000.00				
		5.000%	May 1, 2027	27,350,000.00				
		3.000%	May 1, 2028	500,000.00				
		5.000%	May 1, 2028	30,135,000.00				
		4.000%	May 1, 2029	10,000,000.00				
		5.000%	May 1, 2029	22,155,000.00				
		3.000%	May 1, 2030	5,000,000.00				
		4.000%	May 1, 2030	28,665,000.00				
		4.000%	May 1, 2031	34,960,000.00				
		4.000%	May 1, 2032	36,360,000.00				
		3.250%	May 1, 2033	15,000,000.00				
		5.000%	May 1, 2033	22,815,000.00				
		5.000%	May 1, 2034	39,445,000.00				
		4.000%	May 1, 2035	41,415,000.00				
		4.000%	May 1, 2036	43,070,000.00				
		3.500%	May 1, 2037	20,000,000.00				
4.000%	May 1, 2037	24,795,000.00						
May 24, 2017	\$ 229,355,000, Series FN, refunding	5.000	October 1, 2026	\$20,590,000.00	\$140,515,000.00			
		5.000	October 1, 2027	21,650,000.00				
		5.000	October 1, 2028	22,760,000.00				
		5.000	October 1, 2029	23,925,000.00				
		5.000	October 1, 2030	25,150,000.00				
		5.000	October 1, 2031	26,440,000.00				

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)
May 24, 2017	\$ 7,500,000, Series FP, taxable, Make-Whole Optional Redemption	3.050%	May 1, 2026	\$ 375,000.00	\$ 5,445,000.00
		3.200	May 1, 2027	385,000.00	
		3.300	May 1, 2028	400,000.00	
		3.400	May 1, 2029	410,000.00	
		3.550	May 1, 2030	425,000.00	
		3.650	May 1, 2031	440,000.00	
		3.700	May 1, 2032	455,000.00	
		3.740	May 1, 2033	475,000.00	
		3.790	May 1, 2034	490,000.00	
		3.840	May 1, 2035	510,000.00	
		3.890	May 1, 2036	530,000.00	
		3.940	May 1, 2037	550,000.00	
		December 21, 2017	\$ 275,363,064.26, Series FS, Direct Purchase, refunding	2.460%	
2.520	October 1, 2027			22,479,106.88	
2.580	October 1, 2028			23,059,815.25	
2.660	October 1, 2029			23,672,126.14	
2.730	October 1, 2030			24,318,918.66	
2.810	October 1, 2031			25,002,152.13	
2.880	October 1, 2032			25,723,855.90	
2.950	October 1, 2033			26,484,932.17	
February 14, 2018	\$ 631,215,000, Series FT			4.000%	January 1, 2027
		5.000	January 1, 2027	31,280,000.00	
		4.000	January 1, 2028	1,035,000.00	
		5.000	January 1, 2028	31,900,000.00	
		5.000	January 1, 2029	34,570,000.00	
		5.000	January 1, 2030	36,295,000.00	
		5.000	January 1, 2031	38,110,000.00	
		4.000	January 1, 2032	20,000,000.00	
		5.000	January 1, 2032	20,020,000.00	
		3.250	January 1, 2033	760,000.00	
		5.000	January 1, 2033	41,060,000.00	
		4.000	January 1, 2034	20,000,000.00	
		5.000	January 1, 2034	23,895,000.00	
		3.250	January 1, 2035	25,000,000.00	
		5.000	January 1, 2035	20,890,000.00	
		3.375	January 1, 2036	6,280,000.00	
		5.000	January 1, 2036	41,470,000.00	
		4.000	January 1, 2037	20,000,000.00	
		5.000	January 1, 2037	30,035,000.00	
		5.000	January 1, 2038	52,335,000.00	
February 21, 2019	\$ 431,665,000, Series FW	5.000%	January 1, 2027	\$20,395,000.00	\$358,890,000.00
		5.000	January 1, 2028	21,415,000.00	
		4.000	January 1, 2029	2,500,000.00	
		5.000	January 1, 2029	19,985,000.00	
		2.500	January 1, 2030	180,000.00	
		5.000	January 1, 2030	23,405,000.00	
		5.000	January 1, 2031	24,760,000.00	
		5.000	January 1, 2032	26,000,000.00	
		3.000	January 1, 2033	2,500,000.00	
		5.000	January 1, 2033	24,795,000.00	
		4.000	January 1, 2034	13,410,000.00	
		5.000	January 1, 2034	15,200,000.00	
		3.250	January 1, 2035	5,000,000.00	
		5.000	January 1, 2035	24,910,000.00	
		5.000	January 1, 2036	31,315,000.00	
		4.000	January 1, 2037	15,290,000.00	
		5.000	January 1, 2037	17,590,000.00	
		3.500	January 1, 2038	15,000,000.00	
		5.000	January 1, 2038	19,375,000.00	
		4.000	January 1, 2039	12,500,000.00	
5.000	January 1, 2039	23,365,000.00			

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)
August 12, 2020	\$ 995,000,000, Series FZ, taxable, Make-Whole Optional Redemption	0.893	August 1, 2026	55,670,000.00	\$939,765,000.00
		2.000	August 1, 2027	56,485,000.00	
		1.145	August 1, 2028	57,380,000.00	
		1.295	August 1, 2029	58,080,000.00	
		1.395	August 1, 2030	58,870,000.00	
		1.595	August 1, 2031	59,755,000.00	
		1.695	August 1, 2032	60,745,000.00	
		1.865	August 1, 2033	61,840,000.00	
		1.975	August 1, 2034	63,040,000.00	
		2.065	August 1, 2035	64,325,000.00	
		2.145	August 1, 2036	65,695,000.00	
		2.215	August 1, 2037	67,140,000.00	
		2.245	August 1, 2038	68,655,000.00	
		2.283	August 1, 2039	70,230,000.00	
		2.293	August 1, 2040	71,855,000.00	
		October 29, 2020	\$ 400,000,000, Series GC, refunding, taxable, Make-Whole Optional Redemption	1.112	
1.252	October 1, 2027			22,350,000.00	
1.518	October 1, 2028			22,660,000.00	
1.618	October 1, 2029			23,020,000.00	
1.718	October 1, 2030			23,405,000.00	
1.868	October 1, 2031			23,830,000.00	
2.018	October 1, 2032			24,295,000.00	
2.168	October 1, 2033			24,810,000.00	
2.268	October 1, 2034			25,365,000.00	
2.368	October 1, 2035			25,960,000.00	
2.532	October 1, 2036			26,605,000.00	
2.632	October 1, 2037			27,300,000.00	
2.682	October 1, 2038			28,035,000.00	
2.712	October 1, 2039			28,805,000.00	
2.782	October 1, 2040			29,605,000.00	
October 12, 2021	\$ 700,000,000, Series GD, taxable, Make-Whole Optional Redemption			1.283%	October 1, 2026
		1.535%	October 1, 2027	31,355,000.00	
		1.710%	October 1, 2028	31,870,000.00	
		1.892%	October 1, 2029	32,450,000.00	
		1.972%	October 1, 2030	33,080,000.00	
		2.042%	October 1, 2031	33,750,000.00	
		2.192%	October 1, 2032	34,475,000.00	
		2.322%	October 1, 2033	35,260,000.00	
		2.422%	October 1, 2034	36,110,000.00	
		2.522%	October 1, 2035	37,010,000.00	
		2.642%	October 1, 2036	37,980,000.00	
		2.760%	October 1, 2037	39,020,000.00	
		2.800%	October 1, 2038	40,120,000.00	
		2.830%	October 1, 2039	41,265,000.00	
		2.850%	October 1, 2040	42,455,000.00	
		2.870%	October 1, 2041	43,685,000.00	
October 12, 2021	\$ 200,000,000, Series GE, refunding, taxable, Make-Whole Optional Redemption	1.283%	October 1, 2026	8,810,000.00	\$165,515,000.00
		1.535%	October 1, 2027	8,935,000.00	
		1.710%	October 1, 2028	9,080,000.00	
		1.892%	October 1, 2029	9,245,000.00	
		1.972%	October 1, 2030	9,425,000.00	
		2.042%	October 1, 2031	9,620,000.00	
		2.192%	October 1, 2032	9,825,000.00	
		2.322%	October 1, 2033	10,050,000.00	
		2.422%	October 1, 2034	10,290,000.00	
		2.522%	October 1, 2035	10,545,000.00	
		2.642%	October 1, 2036	10,825,000.00	
		2.760%	October 1, 2037	11,120,000.00	
		2.800%	October 1, 2038	11,435,000.00	
		2.830%	October 1, 2039	11,760,000.00	
		2.850%	October 1, 2040	12,100,000.00	
		2.870%	October 1, 2041	12,450,000.00	

Date of Issue	Original Principal and Description	Rate of Interest (%)	Outstanding Maturity Dates	Amount Due	Outstanding Principal (\$)
October 12, 2021	\$ 629,705,000, Series GJ, refunding, taxable, Make-Whole Optional Redemption	1.283	August 1, 2026	66,290,000.00	\$564,175,000.00
		1.535	August 1, 2027	67,235,000.00	
		1.710	August 1, 2028	68,335,000.00	
		1.892	August 1, 2029	69,575,000.00	
		1.972	August 1, 2030	70,935,000.00	
		2.042	August 1, 2031	72,370,000.00	
		2.142	August 1, 2032	73,900,000.00	
		2.222	August 1, 2033	75,535,000.00	
		November 2, 2022	\$ 740,000,000 Series GK, taxable, Make-Whole Optional Redemption	4.818%	
4.838%	October 1, 2027			28,355,000.00	
4.925%	October 1, 2028			29,775,000.00	
5.055%	October 1, 2029			31,300,000.00	
5.131%	October 1, 2030			32,935,000.00	
5.151%	October 1, 2031			34,675,000.00	
5.201%	October 1, 2032			36,515,000.00	
5.600%	October 1, 2033			38,545,000.00	
5.750%	October 1, 2034			40,800,000.00	
5.950%	October 1, 2035			43,260,000.00	
6.050%	October 1, 2036			45,935,000.00	
6.100%	October 1, 2037			48,815,000.00	
6.150%	October 1, 2038			51,900,000.00	
6.200%	October 1, 2039			55,205,000.00	
6.200%	October 1, 2040			58,740,000.00	
6.200%	October 1, 2041			62,495,000.00	
December 19, 2023	\$750,000,000, Series GM, taxable, Make-Whole Optional Redemption	4.588%	October 1, 2026	25,100,000.00	\$655,985,000.00
		5.000%	October 1, 2027	26,335,000.00	
		5.000%	October 1, 2028	27,685,000.00	
		5.250%	October 1, 2029	29,145,000.00	
		4.806%	October 1, 2030	30,645,000.00	
		4.771%	October 1, 2031	32,150,000.00	
		4.821%	October 1, 2032	33,730,000.00	
		4.841%	October 1, 2033	35,400,000.00	
		4.921%	October 1, 2034	37,170,000.00	
		5.071%	October 1, 2035	39,075,000.00	
		5.221%	October 1, 2036	41,140,000.00	
		5.271%	October 1, 2037	43,355,000.00	
		5.321%	October 1, 2038	45,715,000.00	
		5.298%	October 1, 2039	48,210,000.00	
		5.348%	October 1, 2040	50,845,000.00	
		5.398%	October 1, 2041	53,650,000.00	
5.418%	October 1, 2042	56,635,000.00			
December 18, 2024	\$750,000,000 Series GN, taxable, Make-Whole Optional Redemption	4.208%	October 1, 2026	24,665,000.00	\$679,640,000.00
		4.187%	October 1, 2027	25,720,000.00	
		4.237%	October 1, 2028	26,830,000.00	
		4.287%	October 1, 2029	27,995,000.00	
		5.000%	October 1, 2030	29,330,000.00	
		5.250%	October 1, 2031	30,875,000.00	
		4.616%	October 1, 2032	32,435,000.00	
		4.626%	October 1, 2033	33,965,000.00	
		4.636%	October 1, 2034	35,575,000.00	
		4.736%	October 1, 2035	37,285,000.00	
		4.816%	October 1, 2036	39,110,000.00	
		4.936%	October 1, 2037	41,065,000.00	
		4.976%	October 1, 2038	43,150,000.00	
		5.016%	October 1, 2039	45,365,000.00	
		5.059%	October 1, 2040	47,710,000.00	
		5.079%	October 1, 2041	50,190,000.00	
5.089%	October 1, 2042	52,805,000.00			
5.109%	October 1, 2043	55,570,000.00			
Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding					<u>\$7,949,952,085.27</u>

APPENDIX E

PENDING LITIGATION

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the United States in 1959, the United States reconveyed title to those lands (collectively, the "Ceded Lands") to the State of Hawaii (the "State") to be held as a public trust for five purposes: (a) public education, (b) betterment of the conditions of native Hawaiians, (c) development of farm and home ownership, (d) making public improvements, and (e) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish the Office of Hawaiian Affairs ("OHA") to administer and manage the proceeds and income derived from a *pro-rata* portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. Article XII, Sections 4, 5 and 6, Hawaii Constitution. In 1979, the Legislature adopted HRS Chapter 10 ("Chapter 10"), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. The Legislature, the State and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

The Office of Hawaiian Affairs v. State of Hawaii; University of Hawaii; Department of Land & Natural Resources; Board of Land & Natural Resources, Civil No. 17-1-1823-11 JPC (1st Cir.).

By the letter dated May 31, 2016, addressed to the State's Attorney General and to the Vice-President for Legal Affairs and General Counsel of the University of Hawaii ("UH"), the Office of Hawaiian Affairs gave notice, pursuant to HRS Section 673-3, of its intent to sue the State, the Department of Land and Natural Resources ("DLNR"), and the UH for the State's breach of its fiduciary duties as trustee of the public land trust, in connection with their management of Mauna Kea. OHA filed its Complaint for Declaratory Judgment & Injunctive Relief, Accounting, Restitution, and Damages on November 7, 2017, asserting causes of action for breach of fiduciary duty with respect to the public-land trust and the public-trust doctrine and for breach of contract. On March 23, 2021, OHA and the defendants entered into a stipulation dismissing, with prejudice, all claims asserted by OHA for monetary damages. Then on July 14, 2025, OHA and the defendants entered into a stipulation dismissing, without prejudice, all remaining claims and parties. No monetary damages were paid.

Department of Hawaiian Homelands

Update on Individual Claims Cases. The parties to *Kalima et al. v. State of Hawaii et al.*, Civil No. 99-4771-12-LWC ("Kalima I") entered into settlement negotiations in March and April 2022 with the assistance of the settlement judge, Judge Gary W.B. Chang of the First Circuit Court. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay Plaintiffs \$328,000,000 for a full and final release of all class claims, including

claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCF Rule 23.

On May 3, 2022, the Legislature passed Act 280, Session Laws of Hawaii 2022, which appropriated \$328,000,000 in general funds to fund the State's payment under the settlement agreement, among other appropriations. The appropriation became effective when the Governor signed the bill into law on July 11, 2022.

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds were to be held until the Court grants final approval of the settlement. Up to \$2,000,000 of the settlement amount may be spent on claims administration costs prior to final approval. This \$2,000,000 has been released to a court-appointed auditor to pay pre-final approval costs as they were incurred, leaving a balance of \$326,000,000 in the Court's account.

The Court has also appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court has also appointed a Settlement Special Master to supervise the claims administration process and the Claims Administrator, and to provide an accounting of all settlement funds to the Court.

On August 1, 2023, the Court entered an order granting final approval of the settlement and final judgment. On August 17, 2023, class member Rickey Rivera filed a notice of appeal with the Circuit Court. On October 10, 2023, the Clerk of the Court filed Mr. Rivera's notice of appeal with the Hawaii Intermediate Court of Appeals. On October 27, 2023, the Hawaii Supreme Court dismissed Mr. Rivera's appeal. The class-wide release of claims against the defendants became final with the dismissal of Mr. Rivera's appeal.

On October 30, 2023, the Clerk of the Court paid the remaining balance of the settlement funds (\$326,000,000) to the court-appointed auditor. The auditor will transfer the \$326,000,000 and any unspent claims administration funds to the trustee of a qualified settlement trust that has been established to distribute payments to individual class members. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Homelands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act.

Nelson. In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) ("Nelson"), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Homelands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (the "HHC Act") by leasing Hawaiian homelands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

The Nelson plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries as possible on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution. A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed.

On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

The Hawaii Supreme Court issued its decision in *Nelson v. Hawaiian Homes Commission*, 127 Hawaii 185 (2012) (Nelson I), on May 9, 2012, concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (a) developing lots, (b) loans, and (c) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." The case was remanded to the circuit court for further proceedings.

A trial in circuit court was held, and, on November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law and Order. That Order declared and ordered the following: (a) the State of Hawaii has failed to provide sufficient funds to the Department of Hawaiian Home Lands for its administrative and operating budget in violation of the State's constitutional duty to do so under article XII, section 1 of the Hawaii Constitution; (b) the State of Hawaii must fulfill its constitutional duty by appropriating sufficient general funds to the Department of Hawaiian Home Lands for its administrative and operating budget so that the Department does not need to use or rely on revenue directly or indirectly from general leases to pay for these expenses; and (c) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's administrative and operating budget (not including significant repairs) is more than \$28 million for fiscal year 2015-16. The Court also ruled that (i) prior to 2012, the DHHL Defendants breached their trust duties by failing to take all reasonable efforts—including filing suit—to obtain all the funding it needs for its administrative and operating budget; and (ii) the defendants shall prospectively fulfill their constitutional duties and trust responsibilities; they are enjoined from violating these obligations. (The circuit court also ordered that plaintiffs could collect their costs from the State of Hawaii. The Clerk taxed costs in the amount of \$12,117.66. State Defendants filed a motion to reduce taxation of costs, which motion was partially granted, the circuit court reducing taxed costs to \$11,942.96.) After judgment was entered, the State Defendants filed a motion for reconsideration or to alter or amend the judgment and order on December 21, 2015. The circuit court granted the State's motion for reconsideration in part and denied it in part. The circuit court rejected State Defendants' position that the legislature, and not the courts, has the exclusive prerogative to decide what is a "sufficient sum" for DHHL's administrative and operating

(A&O) budget under Article XII, Section 1. It also rejected State Defendants' position that there was insufficient evidence to support the circuit court's conclusion that the "sufficient sum" for DHHL's A&O budget is more than \$28 million for fiscal year 2015-16.

The circuit court, however, granted reconsideration with respect to State Defendants' position that the judicial courts lack the authority, under separation of powers doctrine, to order the legislative branch to appropriate any particular amount of funds to DHHL, by amending paragraphs 3 and 5 of its original Order. Amended paragraph 3 no longer mentions the legislature, and does not mention more than \$28 million. It instead only states that \$9,632,000 is not sufficient, and that the State of Hawaii is required to fund DHHL's A&O expenses by making sufficient general funds available to DHHL for its A&O budget for fiscal year 2015-16. Paragraph 5 was amended to say only that the Defendants "must fulfill their constitutional duty and trust responsibilities" (but without the original line saying Defendants "shall prospectively" fulfill those duties and responsibilities), and the original line saying Defendants are "enjoined from violating these obligations" was removed.

Plaintiffs filed a motion for reconsideration asking the circuit court to add into its revised order a statement saying that "Sufficient sums for DHHL's (A&O) budget (not including significant repairs) is more than \$28 million for fiscal year 2015-16." The motion was denied. State Defendants filed a notice of appeal, and Plaintiffs filed a notice of cross-appeal. (The circuit court also taxed the State of Hawaii an additional \$386.34.) The appeal and cross-appeal were filed in the Intermediate Court of Appeals. The parties filed briefs in both appeals, and the Legislature requested, was allowed, and filed an amicus curiae brief in support of the State Defendants' positions on February 23, 2017. On March 8, 2017, in response to the DHHL Defendants' application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court. By its decision filed on February 9, 2018, in *Nelson v. Hawaiian Homes Commission*, 141 Hawaii 411 (Nelson II), the Hawaii Supreme Court vacated the judgment and amended judgment, and remanded the case to the circuit court after directing the circuit court to use a baseline of \$1.3 to \$1.6 million, adjusted for inflation, to determine whether the State provided sufficient sums for DHHL's fiscal year 2015-2016 administrative and operating budget.

On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the Nelson II decision. State Defendants filed a motion for summary judgment which asked the court to use the methodology set out in a stipulation entered into by the parties immediately prior to the 2015 trial, to derive and then apply the resulting inflation adjustment to the \$1.3 to \$1.6 baseline specified in Nelson II, and establish and compare the resulting "sufficient sum" against the sum the Legislature appropriated for DHHL's fiscal year 2015-2016 administrative and operating budget, to declare that State Defendants provided sums for DHHL's fiscal year 2015-2016 administrative and operating budget. The Plaintiffs' motion acknowledged that State Defendants provided sufficient sums for DHHL fiscal year 2015-2016 operating budget, but "nonetheless failed to provide sufficient funds to the [DHHL] in violation of their constitutional duty to do so under *Haw. Const., Art. XII, §1*, for many, many years," and asked the circuit court to declare that "the State of Hawaii failed to provide sufficient funds to the [DHHL]." The DHHL Defendants' motion asked the circuit court to set inflation rate or, alternatively, for a full evidentiary hearing on three issues: (a) what "inflation" means in the context of the case; (b) whether \$1.3-\$1.6 million was DHHL's actual administrative and operating budget in 1978, and (c) whether the DHHL's 1978 budget, adjusted for inflation, accurately reflects the "sufficient sums" the legislature is constitutionally required to provide. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020 which provides that the circuit "court will hold an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the 2015-2016 fiscal year by using the 1978 baseline of \$1.3 to \$1.6 adjusted for inflation."

A two-day evidentiary hearing was held on September 9 and 10, 2020, at which each of the parties presented differing expert testimony for adjusting the 1978 baseline of \$1.3 to \$1.6 million for inflation, and determining whether the Legislature had provided sufficient sums for DHHL's fiscal year 2015-16 administrative and operating budget. On December 18, 2020, the circuit court entered its Findings of Fact, Conclusions of Law, and Order in favor of the State Defendants. The court found that, by appropriating over \$17 million for fiscal year 2016, the State Defendants provided "sufficient sums" for DHHL's administrative and operating budget for fiscal year 2016, using the only judicially discoverable and manageable standard identified in Nelson I: the 1978 baseline of \$1.3 to 1.6 million, adjusted for inflation. Final judgment was entered on May 25, 2021. DHHL filed a notice of appeal on June 23, 2021, and Plaintiffs filed a notice of cross-appeal on June 24, 2021.

On February 12, 2025, the Intermediate Court of Appeals issued its decision in *Nelson v. Hawaiian Homes Commission*, 156 Hawaii 41, 569 P.3d 460 (App. 2025). The ICA held that the circuit court did not err in its selection and application of an inflation index, but it erred in entering judgment in favor of the State on count 1 and in favor of DHHL on count 2 based on its findings for fiscal year 2015-2016. Because the plaintiffs argued in their 2007 First Amended Complaint that DHHL does not currently receive sufficient funds, the circuit court also needs to determine whether the State has provided sufficient sums for DHHL's administrative and operating budget for 2007, the year this Complaint was filed, using the 1978 baseline of \$1.3 to 1.6 million, adjusted for inflation. Similarly, as to count 2, the circuit court needs to make findings regarding the amount of funding DHHL requested annually for its administrative and operating budget prior to the filing of the 2007 First Amended Complaint before rendering judgment on count 2. It then vacated those portions of the circuit court's Final Judgment and Findings of Fact, Conclusions of Law, and Order, but otherwise affirmed circuit court's judgment and order.

On remand, following a hearing on September 11, 2025, on December 19, 2025, the Circuit Court issued an Order Granting in Part and Denying in Part Plaintiffs' Motion for Summary Judgment as to Count 1: The Motion is granted in part in that the Court orders declaratory judgment that for fiscal years 2006-2007 and 2007-2008, the State Defendants provided less than sufficient sums for DHHL's administrative and operating budget under article XII, section 1 of the Hawaii Constitution using the 1978 baseline of \$1.3 to 1.6 million, adjusted for inflation as mandated by the Supreme Court in *Nelson v. Hawaiian Homes Commission*, 127 Hawaii 185, 277 P.3d 279 (2012). The Motion is denied in all other respects. Status conference is scheduled for March 12, 2026. The only relief available to plaintiffs is a declaratory judgment as to sufficiency of past appropriations, not monetary damages.

Land Use Commission

DW Aina Le'a Development, LLC v. State, Case No. 1:17-CV-00113-SOM-WRP, U.S. District Court for the District of Hawaii. Plaintiff DW Aina Le'a filed a complaint in State Circuit Court alleging a takings claim in violation of the Hawaii and U.S. Constitutions resulting from the Hawaii Land Use Commission's reversion to agricultural classification of land Plaintiff had contracted to purchase from a third party for development purposes. The Hawaii Supreme Court ruled in a separate case that the LUC's reversion was improper. In its complaint, Plaintiff alleged damages of not less than \$200 million resulting from the taking.

The State removed the case to federal district court and then filed a motion to dismiss based on the statute of limitations. The State successfully argued that Plaintiff's takings claim was time barred, and the district court granted the State's motion to dismiss the case on June 13, 2017. Plaintiff appealed to the Ninth Circuit on June 20, 2017. Oral arguments were heard in February 2019, and Circuit Court of Appeals thereafter certified a question to the Hawaii Supreme Court, asking "[w]hat the applicable statute of limitations for a claim against the State[. . .] alleging an unlawful taking of '[p]rivate property. . . for public use without compensation," Haw. Const. art. I, §20." The parties submitted briefing to the Hawaii Supreme

Court on this question (the State’s answering brief was filed on September 13, 2019). The Hawaii Supreme Court set oral argument for April 15, 2020, but in light of the COVID-19 pandemic, subsequently cancelled the oral argument and decided the question without oral argument. The Court’s decision was issued on December 17, 2020. It responded to the certified question by holding that “the statute of limitations for a takings claim under the Hawaii Constitution is six years pursuant to HRS § 657-1(4).

Following the Hawaii Supreme Court’s decision on the certified question, the Ninth Circuit Court of Appeals, on January 25, 2021, issued a memorandum disposition holding that DW’s state and federal takings claims were timely, reversing the District Court’s decision, and remanding for further proceedings. Following remand, the District Court reopened the case on January 22, 2021. On April 12, 2021, DW disclosed that it is seeking \$360 million in damages.

On January 7, 2022, the State moved for summary judgment on the grounds that, among other things, DW lacked standing to pursue its takings claims. On February 4, 2022, DW moved for leave to amend its Complaint to add a third party, Aina Le’a, Inc., as a plaintiff. On May 25, 2022, the District Court filed its Order Granting Defendants’ Motion for Summary Judgment and Denying Plaintiff’s Motion for Leave to Amend, holding that DW lacked standing and denying DW’s motion to amend. On May 25, 2022, judgment was entered in favor of the State and against DW.

On June 6, 2022, DW filed a Notice of Appeal to the Ninth Circuit. On July 19, 2023, the Ninth Circuit reversed and remanded the case to the District Court, holding that DW had standing to pursue its takings claim. On remand, the State again moved for summary judgment, arguing that DW had failed to establish that its property interests were taken as a matter of law. On February 12, 2024, the District Court granted the State’s motion for summary judgment.

DW appealed from that ruling to the Ninth Circuit, filing its notice of appeal on February 28, 2024. The State also filed a notice of cross-appeal on March 13, 2024. After briefing, the Ninth Circuit issued an order on January 13, 2025, ordering that the case would be submitted on the briefs, i.e., without oral argument. The Court issued a memorandum disposition on February 19, 2025, affirming the District Court’s grant of summary judgment in favor of the State. Because the Ninth Circuit affirmed the judgment in favor of the State, it did not need to consider the State’s cross-appeal. The mandate was issued on March 13, 2025. This case is now concluded.

Hawaii Employer Union Health Benefits Trust Fund

Dannenberg, et al. v. State of Hawaii, et al. Civil No.: 06-1-1141 JPC, 1st Circuit Court. This class action was originally filed in June 2006 as *Marion Everson, et al. v. State of Hawaii, et al.* Plaintiffs are retired employees of the State and the counties of Kauai, Honolulu, Maui and Hawaii, who have alleged claims for declaratory relief, injunctive relief, breach of contract, negligence and breach of fiduciary duty. Plaintiffs primarily claim that their constitutional rights have been impaired and they have suffered damages. The State is vigorously defending against all claims brought by the plaintiffs against the State defendants, which include the State, the Hawaii Employer Union Health Benefits Trust Fund (“EUTF”), and the EUTF Board. The first phase of the trial of this case commenced in early November 2021, and the court’s decision was rendered on January 30, 2024, ruling in favor of all defendants and against plaintiffs on all claims; however, the plaintiffs have appealed. The State is currently unable to predict with reasonable certainty the outcome of the appeal or the magnitude of potential liability, if any, for plaintiffs’ claims. Oral argument before the Hawaii Supreme Court is currently scheduled for March 2, 2026.

In addition, various insurers that have provided a defense for the Dannenberg lawsuit filed an action for declaratory relief on August 31, 2022, and a First Amended Complaint on October 3, 2022, seeking a declaration that they have no duty to defend the State defendants under various insurance policies with respect to the Dannenberg lawsuit, and a finding from the court that the insurer-plaintiffs are entitled to reimbursement of defense costs incurred, the amount of which was not specified but may be in excess of the initial policy of insurance that has been exhausted. The State and insurance companies have both moved for partial summary judgment on some of the coverage issues, and the motions were heard in early October 2024. Insurance coverage counsel has been retained to defend the State defendants in this action. On December 11, 2024, the Circuit Court denied Plaintiffs ICSOP's and Lexington's Motion for Summary Judgment and found that ICSOP and Lexington do owe a duty to defend Defendants State of Hawaii, Hawaii Employer-Union Health Benefits Trust Fund, and Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund in the Lawsuit. The Court granted Defendant State of Hawaii et al.'s Motions for Partial Summary Judgment and entered judgment as a matter of law as to Counts I, II, III, IV, V, VI, VII and VIII in favor of Defendants.

On January 21, 2026, the parties filed a Stipulation to dismiss Counts IX and X with prejudice. Count XI for Declaratory Relief (No Duty to Indemnify) is dismissed without prejudice as it depends on the outcome of the Supreme Court's decision in *Dannenberg, et al. v. State of Hawaii, et al.* Civil No.: 06-1-1141 JPC. There are no remaining claims or parties to this case.

On March 2, 2026, the Supreme Court held oral arguments from both parties. The State is awaiting a ruling.

Maui Wildfires

On August 8, 2023, a series of wildfires broke out on the island of Maui. The wildfires caused widespread damage in the town of Lahaina, resulting in 102 confirmed fatalities and two individuals remaining listed as missing. The wildfires destroyed over 2,200 structures, primarily homes and businesses, and displaced over 12,000 residents, causing an estimated \$5 billion of damage. See "Appendix A—RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS—Certain Climate-Related Events and Other Natural Disasters" in this Official Statement.

As of January 21, 2026, the State has been named as a defendant in 643 cases arising out of the Maui wildfires, including claims for wrongful death, personal injury, emotional distress and property damage (including a class action for property damage). The allegations against the State include negligent maintenance of grasses and invasive species of plants that allegedly contributed to the spread of the wildfires, and negligent handling of the emergency, including failure to use emergency sirens. A settlement was reached in November 2024, through mediation, in which the defendants, among them the State, the County of Maui, Kamehameha Schools and Hawaiian Electric Company, Inc., agreed to contribute to an approximately \$4 billion pool of settlement funds from which current and future plaintiffs with personal and property damage claims able to make and prove claims would be paid and stipulating that insurers could not bring subrogation claims against defendants. The State agreed to contribute approximately \$807.5 million towards the settlement, plus \$65 million contributed by the State to the One 'Ohana Fund. In February 2026, the FEMA Disaster Case Management Program was extended through February 2027 – and included the Temporary Rental Housing Assistance Program.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

STATE OF HAWAII

\$206,170,000*
TAXABLE GENERAL
OBLIGATION BONDS OF
2026
SERIES GO

\$300,000,000*
TAXABLE GENERAL
OBLIGATION BONDS OF
2026
SERIES GP

\$993,830,000*
TAXABLE GENERAL
OBLIGATION BONDS OF
2026
SERIES GQ

(Base CUSIP: 419792)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the State of Hawaii (the “State”) in connection with the issuance of its \$1,500,000,000 Taxable General Obligation Bonds of 2026, Series GO, Series GP and Series GQ (collectively, the “Bonds”). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, certain acts of the Legislature of the State, as implemented by that certain Certificate of the Director of Finance of the State of Hawaii providing for the issuance of the Bonds (the “Bond Certificate”). Pursuant to Section 403 of the Bond Certificate, the State covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5)(i).

Section 2. Definitions. In addition to the definitions set forth in the Bond Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean the Director of Finance or any successor Dissemination Agent designated in writing by the State and which has filed with the State a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access website of the MSRB, currently located at <http://emma.msrb.org>.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended, or any successor thereto, in each case as amended from time to time.

* Preliminary; subject to change.

“*Financial Obligation*” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). The term “Financial Obligation” shall not include municipal securities (as defined in the Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“*Holder*” shall mean the person in whose name any Bond shall be registered.

“*Listed Events*” shall mean any of the events listed in subsection 5(a) of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“*Participating Underwriters*” shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The State shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the State’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2025, provide to the MSRB an Annual report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the State’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 15 business days prior to said date, the State shall provide the Annual Report to the Dissemination Agent (if other than the State).

(c) If the State is unable to provide to the MSRB an Annual Report by the date required in Section 3(a) above, the State shall provide to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the State), file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Contents of Annual Reports. The State’s Annual Report shall contain or include by reference updates of the following information included in Appendix B to the final Official Statement (the “Official Statement”) dated April __, 2026, relating to the Bonds:

- (a) Summary of Total Indebtedness of the State of Hawaii;
- (b) Revenue Projections; Certain Tax Collections—General Fund Tax Revenues; and

(c) Revenue Projections; Certain Tax Collections—Actual Collections and Distributions.

The audited financial statements of the State for the prior fiscal year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, if available, without the State having to undertake to prepare unaudited financial statements exclusively for the purpose of satisfying this Section 4, in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Updates of Appendix B may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been (i) available to the public on the MSRB's website or (ii) filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the State shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) modifications to rights of Bondholders, if material;
- (iv) bond calls, if material, and tender offers;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions, material notices of determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (x) substitution of credit or liquidity providers or their failure to perform;
- (xi) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xii) bankruptcy, insolvency, receivership or similar event of the State;

(Note to Section 5(a)(xii): For the purposes of the event identified in Section 5(a)(xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.)

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) the incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect holders or beneficial holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

For the purposes of the events identified in Sections 5(a)(xv) and (xvi) and the definition of “Financial Obligation” in Section 2 hereof, reference to the Rule includes the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

(b) The State shall in a timely manner, not in excess of 10 business days after the occurrence of a Listed Event, (i) where relevant pursuant to Section 5(a) above, determine if such event would be material under applicable federal securities laws, and (ii) in all events, file notice of such occurrence with the MSRB.

Section 6. Filings With MSRB. All Annual Reports, notices of Listed Events and other notices and information provided to the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements), accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The State’s obligations under this Disclosure Certificate shall terminate with respect to each Bond upon the legal defeasance or payment in full of such Bond. If the obligations of the State under this Disclosure Certificate with respect to all Bonds terminate prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this, Disclosure Certificate may be waived; provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Certificate for amendments to the Bond Certificate with the consent of Holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (A) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c); and (B) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Certificate with respect to the Bonds,

and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated: [Closing Date]

STATE OF HAWAII

By _____
Seth S. Colby, Ph.D., Director of Finance

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: State of Hawaii

State of Hawaii Taxable General Obligation Bonds of 2026, Series GO,
Series GP and Series GQ

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated [Closing Date]. [The State anticipates that the Annual Report will be filed by _____.]

Dated: _____

STATE OF HAWAII

By: _____

Name: _____

Title: _____

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

April __, 2026

State of Hawaii
Honolulu, Hawaii

STATE OF HAWAII
\$206,170,000*
Taxable General Obligation
Bonds of 2026
Series GO

STATE OF HAWAII
\$300,000,000*
Taxable General Obligation
Bonds of 2026
Series GP

STATE OF HAWAII
\$993,830,000*
Taxable General Obligation
Bonds of 2026
Series GQ

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the State of Hawaii (the “State”) of \$206,170,000* aggregate principal amount of its Taxable General Obligation Bonds of 2026, Series GO (the “Series GO Bonds”), \$300,000,000* aggregate principal amount of its Taxable General Obligation Bonds of 2026, Series GP (the “Series GP Bonds”), and \$993,830,000* aggregate principal amount of its Taxable General Obligation Bonds of 2026, Series GQ (the “Series GQ Bonds” and, together with the Series GO Bonds and the Series GP Bonds, the “Bonds”), pursuant to a Certificate of the Director of Finance of the State dated April 1, 2026* (the “Certificate”), and various acts of the Legislature of the State identified in the Certificate.

In such connection, we have reviewed the Certificate, certificates and opinions of the Attorney General and certificates of other officers of the State, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Certificate.

The rights and obligations of the State under the Bonds and the Certificate and their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies

* Preliminary; subject to change

against the State of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue or waiver severability provisions contained in the foregoing documents. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State and constitute valid general obligations of the State.

2. The Certificate has been duly executed and delivered by the Director of Finance and constitutes the valid obligation of the State.

3. Interest and principal payments on the Bonds are a first charge on the General Fund of the State and the full faith and credit of the State are pledged to the punctual payment thereof.

4. Interest on the Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Purchasers of the Bonds should consult their own tax advisors as to the tax consequences of purchasing or owning the Bonds.

5. The Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes.

Very truly yours,

APPENDIX H

PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this Appendix H is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. The information in this Appendix H concerning the Clearing Systems has been obtained from sources believed to be reliable, but the State of Hawaii (the “Issuer”) does not take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix H. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein and in the Bond Issuance Certificate to the Bondholders, registered owners or owners (or similar terms) of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

DTC Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Issuance Certificate. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NONE OF THE ISSUER, THE PAYING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL OF OR INTEREST PAYMENT THEREON.

The Issuer and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Issuance Certificate, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Paying Agent shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Paying Agent) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal of or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Issuer; or other action taken by DTC as registered owner.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Global Clearance Procedures

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources believed to be reliable. No representation is made herein by the Issuer as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several

countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Issuer will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be

credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Issuer on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of the Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Bonds are set forth on the inside cover of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NONE OF THE ISSUER, THE PAYING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.

THE ABOVE INFORMATION CONCERNING EUROCLEAR OR CLEARSTREAM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

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