

Federal Funding Uncertainty and Hawaii's Island Resilience: Building Independence from Continental Dependency

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EXECUTIVE SUMMARY

Hawaii is more dependent on federal spending than any other U.S. state by proportion of state GDP — a structural vulnerability that federal funding uncertainty in 2025 and 2026 has made politically urgent. Governor Green's proposed \$1.8 billion strategic reserve to offset federal cuts reflects a recognition that Hawaii's island geography creates a funding dependency that continental states can navigate more flexibly. This policy brief examines the specific mechanisms through which federal funding uncertainty affects Hawaii's public safety, emergency management, and community resilience capacity — and identifies the policy investments most likely to reduce Hawaii's structural dependency on federal program continuity.

KEY FINDINGS

- Hawaii receives federal spending at a proportion of state GDP exceeding every other U.S. state — reflecting both military presence and the systematic underfunding that island geographic isolation creates for state government without federal support.
- Governor Green's 2026 supplemental budget proposes \$1.8 billion in strategic reserves to offset federal cuts — acknowledging a structural dependency that island communities cannot address through the interstate economic relationships available to continental states.
- Public safety federal grants — COPS Hiring Program, Byrne JAG, FEMA Homeland Security Grant Program — are among Hawaii's most vulnerable funding streams because they flow through discretionary program vehicles subject to annual appropriation decisions.
- Hawaii's current federal formula allocations for public safety, housing, and emergency management systematically undervalue Hawaii's actual program needs because formulas are population-based rather than cost-of-living and geographic-isolation adjusted.

- Supply chain singularity — Hawaii's 85-90% food import dependency — means that federal supply chain disruptions produce consequences in Hawaii faster and more severely than in any continental state.

The Structural Dependency

Hawaii's dependency on federal funding is not a policy choice — it is an economic reality of island geography. A state of 1.4 million people on islands 2,500 miles from the continental economy cannot maintain the tax base, the interstate economic relationships, or the mutual aid infrastructure that allows continental states to partially offset federal funding reductions through state and local resources.

This structural reality means that federal funding uncertainty affects Hawaii differently than it affects continental states. When federal public safety grants are reduced, Hawaii cannot fill the gap through interstate public safety compacts. When federal emergency management funding is reduced, Hawaii cannot access neighboring state resources. When federal housing programs are cut, Hawaii cannot attract housing development capital from adjacent high-growth markets.

The Public Safety Funding Vulnerability

ISPI's analysis identifies four federal public safety funding streams as Hawaii's most critical and most vulnerable.

COPS Hiring Program

The COPS Hiring Program has provided critical supplemental law enforcement staffing resources to Hawaii agencies — resources that an agency at 80% staffing cannot absorb as discretionary. Reduction or elimination of COPS funding would directly worsen the law enforcement workforce crisis ISPI has documented.

Byrne Justice Assistance Grants

Byrne JAG funding supports Hawaii's anti-trafficking programs, drug enforcement, and juvenile justice intervention — programs that address the specific public safety challenges ISPI's research identifies as most consequential for Hawaii communities.

FEMA Homeland Security Grant Program

FEMA HSGP funding supports Hawaii county emergency management capacity — the same capacity that the Lahaina wildfire exposed as inadequate. Reduction of HSGP funding would further constrain the county emergency management agencies that must lead island emergency response.

Building Structural Independence

The sustainable response to federal funding uncertainty is not to maximize federal fund capture — it is to build the institutional and infrastructure resilience that reduces the severity of dependency consequences when federal funding is reduced.

For public safety, this means investing in the non-salary compensation mechanisms — housing assistance, loan forgiveness — that reduce retention-failure costs without requiring sustained federal grant support.

For emergency management, this means building the pre-positioned community reserve architecture and inter-island mutual aid frameworks that reduce dependency on federal acute-response resources.

For supply chain resilience, this means investing in local food production, strategic reserve architecture, and port infrastructure resilience that reduces the severity of federal supply chain disruption consequences.

POLICY RECOMMENDATIONS

- 1.** Establish a Hawaii Public Safety Federal Funding Resilience Reserve — dedicated funding to sustain COPS Hiring, Byrne JAG, and FEMA HSGP program levels during federal funding disruption.
- 2.** Formally petition DOJ, DHS, and FEMA for island-adjusted federal formula allocations that account for Hawaii's cost-of-living premium and geographic isolation in computing program allocations.
- 3.** Invest in the non-salary law enforcement retention mechanisms that reduce dependency on COPS Hiring Program continuity — housing assistance, loan forgiveness, cost-of-living supplements.
- 4.** Develop a Hawaii Supply Chain Resilience Investment Plan that reduces food import dependency through local production investment and strategic reserve architecture.
- 5.** Establish a Pacific Island Emergency Preparedness Cooperative with Guam, American Samoa, and CNMI to develop shared inter-island mutual aid frameworks that reduce dependency on mainland federal emergency response.