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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Water and Land

Friday, January 24, 2014

9:30 a.m.

State Capitol - Conference Room 325

RE: H.B. 2059, RELATING TO HOUSING

Dear Chair Evans, Vice Chair Lowen, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII **opposes** H.B. No. 2059. The bill proposes to amend the conveyance tax percentage amount paid into the rental housing trust fund. **There is no rational nexus** between the real estate transactions being taxed at conveyance and the uses identified in Chapter 247, Hawaii Revised Statutes (HRS), as the beneficiaries of the tax.

The Conveyance Tax was created to cover the administrative costs of recording the real estate transactions, such as those performed by the Bureau of Conveyance. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

1. Ten per cent shall be paid into the **Land Conservation Fund** established pursuant to section 173A-5;
2. Twenty-five per cent from July 1, 2009, until June 30, 2012, and thirty per cent in each fiscal year thereafter shall be paid into the **Rental Housing Trust Fund** established by section 201H-202; and
3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the **Natural Area Reserve Fund** established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:
 - a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
 - b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
 - c. The youth conservation corps established under chapter 193.

We are deeply troubled by the manner in which the Conveyance Tax has been used to generate reviews for unrelated purposes. Again, there is no rational nexus between the real estate transactions that are being taxed at conveyance and the beneficiaries of the tax. We do not believe that the conveyance tax is being used in an appropriate manner. We believe the Auditor of the State of Hawaii had similar findings.

In July 2012, the State Auditor completed Report No. 12-04, entitled, "Study of the Transfer of Non-general Funds to the General Fund," On page 26 of the report, the Auditor found:

"In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:

- Serves the purpose for which it was originally established;
- ***Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; . . .*** (Emphasis added.)

While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, we do not believe that the conveyance tax is the appropriate means to fund these programs. Finally, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

Based on the foregoing reasons, BIA-Hawaii **opposes** H.B. 2059.

Thank you for the opportunity to express our views on this matter.



TESTIMONY IN SUPPORT OF HB 2059: RELATING TO HOUSING

TO: Representative Cindy Evans, Chair; Representative Nicole E. Lowen, Vice-Chair; and Members, Committee on Water and Land

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: Friday, January 24, 2014; 9:30 am; CR 325

Chair Evans, Vice Chair Lowen, and Members, Committee on Water and Land:

Thank you for the opportunity to testify **in strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. Catholic Charities strongly supports restoring the percentage allocated to the Rental Housing Trust Fund to **50% of the State's conveyance tax**.

Creating more affordable rental housing is critical to our state's future to reduce homelessness and provide housing so our children and young families can remain in Hawaii. **Rents have increased over 45%** in Hawaii since 2005. Almost 75% of extremely low income households are paying more than half of their income on rent. No wonder Hawaii has the **highest rate of homelessness in the US**. Hawaii needs over 13,000 affordable rental units by 2016. Catholic Charities sees these needs daily as families call in to us desperately in need of affordable housing.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund (RHTF) to 50% of the tax proceeds. With the economic crisis of the past few years, the amount to the Trust Fund was dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. At 50% of the conveyance tax, the allocation would put about \$25 – 27 million into the Trust Fund

The conveyance tax is the only dedicated source of funding to the RHTF. The Trust Fund has a proven record of creating affordable rental units. It establishes public-private partnerships that leverage resources to add more affordable units to Hawai'i's housing stock. As of June 30, 2013, **4,567 rental units** have been created with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests.

We urge your support of this bill and to **amend it to restore 50% of the conveyance tax to the Rental Housing Trust Fund** to provide a legacy of affordable housing.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808) 373-0356 • Email: bettylou.larson@catholiccharitieshawaii.org



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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting HB 2059 Relating to Housing
House Committee on Water and Land
Scheduled for Hearing Friday, January 24, 2014, 9:30 AM, Room 325

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Thank you for an opportunity to testify in **strong support** of House Bill 2059, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund. Hawai'i Appleseed Center for Law and Economic Justice strongly encourages the Committee to restore the percentage allocated to the Rental Housing Trust Fund to 50 percent of the state's conveyance tax revenue.

Hawai'i's severe affordable housing shortage places an immense strain on lower-income households. About 75 percent of extremely low-income households spend more than half their income on housing. Our cost of shelter is the highest in the nation, and the need for affordable housing will only continue to grow. According to the Hawai'i Housing Planning Study, Hawai'i will need 13,000 more rental units by 2016 to meet the need for affordable rentals. The consequences of this shortage are clear: Hawai'i has the highest rate of homelessness among the states, and without adequate affordable housing, this crisis will only continue to worsen.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing with a long record of success, and conveyance tax revenues are its only dedicated source of funding. The Trust Fund may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units. Housing created with Trust Fund monies must provide at least 5 percent of their units at rents affordable to those earning 30 percent or less of the area median income.

- As of June 2013, **4,567 rental units** have been created with the assistance of the Rental Housing Trust Fund and other leveraged funding.
- The public-private partnerships created by the fund help build long broader, long-term strategies to address our affordable housing needs on all islands.
- However, the Trust Fund is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone. That year, five out of nine projects (totaling 317 affordable rental units), were left unfunded. In 2013, the Trust Fund received \$70.4 million in requests. Many projects are ready to be developed and only waiting on funding.

Hawai'i's lack of affordable housing and resulting rates of homelessness form a social crisis that the state must address. The Legislature recognized this in 2006, when it increased the percentage of conveyance tax revenues allocated to the Trust Fund to 50 percent. This allocation was reduced during the economic downturn to a low of 25 percent between 2009 and 2012; the current allocation stands at 30 percent. Meanwhile, our affordable housing crisis is only worsening. An allocation of 50 percent of conveyance tax revenues would infuse approximately **\$25–27 million** into the Trust Fund and support the creation of desperately-needed affordable rental units for families throughout Hawai'i.

TAXBILLSERVICE

126 Queen Street, Suite 304

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Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Increase amount earmarked for rental housing trust fund

BILL NUMBER: HB 2059

INTRODUCED BY: Mizuno & Woodson

BRIEF SUMMARY: Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the rental housing trust fund from 35% to ___%, beginning on July 1, 2014.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. As a result of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of the value transferred. Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund. In 2009, legislators reduced the amount of conveyance tax revenues earmarked to the rental housing trust fund from 30% to 25% until June 30, 2012 in an effort to generate additional revenues for the state general fund.

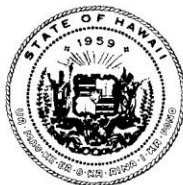
The proposed measure would amend the amount of conveyance tax revenues earmarked to the rental housing trust fund starting on July 1, 2014. Are our lawmakers thinking that this will provide a more stable funding source for this fund? It should be remembered that with a hot real estate market, the collections of this tax soared. However, as the market cooled, as it did after the Japanese bubble burst in the mid 1990's and also in the aftermath of the subprime credit crisis, the collections of this tax waned. Collections rise and fall with the fortunes of the real estate market. When the housing market slows down, revenues may not be sufficient to meet the expectations of the fund. If the additional revenues are not sufficient or another "important" program needs funding, will the conveyance tax be increased to generate even more revenue?

If the legislature deems any of the programs for which conveyance tax revenues are earmarked to be such a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues is not desirable for a number of reasons. First, it absolves elected officials from setting priorities. Second, the beneficiaries of such earmarked sources look upon the receipts as “their” money and refuse to be held accountable for the use of those funds while all other programs not so favored, like education, public safety, health and human services, are cut when general fund tax revenues either shrink or do not increase in line with expectations.

Instead of further clouding the financial picture of the state, all of these earmarked funds and the programs they underwrite should be brought back to the general fund table so that they can be measured against all the other pressing needs of the state. Only then will lawmakers and taxpayers be able to set priorities for what little tax resources taxpayers have to share especially in these difficult economic times. Earmarking resources that bear little relationship to the program being funded represents poor public finance policy.

Digested 1/22/14

NEIL ABERCROMBIE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON WATER & LAND

January 24, 2014 at 9:30 a.m.
State Capitol, Room 325

In consideration of
H.B. 2059
RELATING TO HOUSING.

The HHFDC ***supports*** H.B. 2059 to the extent that it increases conveyance tax revenues to the Rental Housing Trust Fund and provided that its passage does not replace or adversely affect priorities indicated in the Executive Supplemental Budget. The ***sole*** dedicated source of funding for the Rental Housing Trust Fund is 30 percent of conveyance tax proceeds to address the need for affordable rental housing statewide.

HHFDC leverages the Rental Housing Trust Fund with other funding sources to finance the development of critically needed affordable rental housing through public-private partnerships. As of December 31, 2013, 4,567 affordable rental units have been produced or are in development in 58 projects statewide. In Fiscal Year 2013, the Rental Housing Trust Fund received \$16.4 million from its share of conveyance tax revenues.

Thank you for the opportunity to testify.

January 24, 2014

The Honorable Cindy Evans, Chair

House Committee on Water & Land
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: H.B. 2059, Relating to Housing

HEARING: Friday, January 24, 2014, @ 9:30 a.m.

Aloha Chair Evans, Vice Chair Lowen, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,300 members. HAR **supports** H.B. 2059, which amends the Conveyance Tax percentage amount paid into the Rental Housing Trust Fund (RHTF) and makes an appropriation to the fund.

In 1992, Hawai'i established the RHTF, recognizing the need to establish a fund as a continuous renewable resource to assist very low and low income families and individuals, including the homeless and special need groups, in obtaining rental housing. In order to make the Fund continuous it was linked to the Conveyance Tax, as there were and continues to be a clear nexus.

In 2006, the share of the Conveyance Tax allotment to the Rental Housing Trust Fund was increased from 30% to 50%. However, that percentage lapsed on June 30, 2008, and was not extended, so it was reverted back to 30%.

In 2009, it was amended down to 25% from July 1, 2009, until June 30, 2012, and 30% in each fiscal year thereafter.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Lastly, as this program helps to increase the availability of rental housing for persons who face obstacles in moving from homelessness to permanent housing and persons with lower incomes who need to find affordable rental housing, HAR believes restoring the allocation to the RHTF should help to address the States unique challenges related to low-income and affordable housing.

Mahalo for the opportunity to testify.



92-954 Makakilo Dr. #71 Kapolei, HI 96707 Email: Rainbowfamily808@gmail.com Phone: 808-779-9078 Fax: 808672-6347

Monday, January 23, 2014

RE: **HB2059 - Housing; Rental Housing Trust Fund Appropriation.**

In Strong Support

TO: House Chair, Vice Chair and members of the House Water and Land Committee

I strongly support HB2059. In order that our society continue to respect all it's citizens, we need to provide a Hands Up approach with affordable housing. We are our brothers and sisters to all humanity.

Only societies that assist those who are out of jobs or under employed have a future of growth and success. This bill would provide countless new living wage jobs that would positively affect our o`hana.

I urge that you pass HB2059 in due haste for the benefit of all Hawai`i. To do otherwise, would support discrimination to those less fortunate. We need to positively work for new jobs, new opportunities and hope for all our o`hana.

Please pass HB2059. Thank you very much .

Carolyn Martinez Golojuch, MSW - Rainbow Family 808, President



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Cindy Evans, Chair
Representative Nicole E. Lowen, Vice-Chair
Members, Committee on Water and Land

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Water and Land
Friday, January 24, 2014; 9:30 a.m. in Conference Room 325

Testimony in Support of HB2059, Relating to Housing

Thank you for the opportunity to provide testimony in support of HB2059, which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund (RHTF). PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support the marginalized and underserved in Hawaii. PHOCUSED strongly supports restoring the percentage allocated to the RHTF to **50% of the State's conveyance tax**.

As a community, it is critical that we support the development of housing, which is both safe and affordable for Hawaii's residents. Currently, many Hawaii families struggle to afford just basic housing costs. According to the Corporation for Enterprise Development (CFED), over 56% of Hawaii's renters are housing-cost burdened – paying more than 1/3 of their income to housing costs – which is one of the highest percentages of cost-burdened renters in the nation. In addition, Hawaii has one of the highest rates of homelessness in the U.S., which is partly attributed to our high housing costs and lack of safe and affordable housing stock. The development of new affordable rental housing is critical to our community's ability to reduce homelessness for Hawaii's people, including our seniors and families with young children in the home.

The RHTF has a proven record of creating new affordable rental units in Hawaii. As of June 30, 2013, **4,567 rental units** had been created with the assistance of the RHTF and other leveraged funding. Currently, the conveyance tax is the only dedicated source of funding to the RHTF. Increasing the percentage of the conveyance tax allocated to the RHTF to 50% of tax proceeds would put an estimated \$25-27 million into the Trust Fund. Increasing the percentage of the conveyance tax allocated to the RHTF will support the continued development of affordable units in Hawaii and help to provide more safe and affordable housing opportunities for Hawaii residents.

PHOCUSED strongly urges your support of this bill and requests **amendments that would restore 50% of the conveyance tax to the RHTF**. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.



PARTNERS IN CARE
Oahu's Coalition of Homeless Providers

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together to end homelessness. We believe that partnerships and collaboration are essential.

TESTIMONY IN SUPPORT OF HB 2059: RELATING TO HOUSING

TO: Representative Cindy Evans, Chair; Representative Nicole E. Lowen, Vice-Chair; and Members, Committee on Water and Land

FROM: Peter K. Mattoon, Partners In Care Advocacy Committee Co-Chair

Hearing: Friday, January 24, 2014; 9:30 am; CR 325

Chair Evans, Vice Chair Lowen, and Members, Committee on Water and Land:

Thank you for the opportunity to testify **in strong support of HB 2059** which would amend the percentage of the conveyance tax paid into the Rental Housing Trust Fund. I am Peter K. Mattoon, Partners In Care Advocacy Committee Co-Chair. Partners In Care strongly supports restoring the percentage allocated to the Rental Housing Trust Fund to **50% of the State's conveyance tax**.

Creating more affordable rental housing is critical to our state's future to reduce homelessness and provide housing so our children and young families can remain in Hawaii. **Rents have increased over 45%** in Hawaii since 2005. Almost 75% of extremely low income households are paying more than half of their income on rent. Hawaii currently has the **highest rate of homelessness in the US**, Hawaii needs over 13,000 affordable rental units by 2016.

In 2006, the Legislature increased the percentage of the conveyance tax allocated to the Rental Housing Trust Fund (RHTF) to 50% of the tax proceeds. With the economic crisis of the past few years, the amount to the Trust Fund was dramatically decreased. It dropped to 30 percent in 2008, with the amount set at 25 percent from 2009-2012. As of July 1, 2012, the allocation was reset to 30% of the conveyance tax. At 50% of the conveyance tax, the allocation would put about \$25 – 27 million into the Trust Fund

The conveyance tax is the only dedicated source of funding to the RHTF. The Trust Fund has a proven record of creating affordable rental units. It establishes public-private partnerships that leverage resources to add more affordable units to Hawai'i's housing stock. As of June 30, 2013, **4,567 rental units** have been created with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, with \$37 million in project requests, 5 of 9 projects, totaling 317 affordable rental units, were left unfunded due to limited funds. In 2013, the Trust Fund received \$70.4 million in requests.

We urge your support of this bill and to **amend it to restore 50% of the conveyance tax to the Rental Housing Trust Fund** to provide a legacy of affordable housing.

Contact PIC Advocacy Co-Chairs: Jenny Lee, jenny@hiappleseed.org, 587-7605; Peter Mattoon, peter.mattoon@catholiccharitieshawaii.org, 527-4745; or Betty Lou Larson, bettylou.larson@catholiccharitieshawaii.org; 585-6983/ 373-0356.

PARTNERS IN CARE c/o Aloha United Way
200 North Vineyard • Suite 700 • Honolulu, Hawaii 96817



**Testimony to the House Committee on Water and Land
Friday, January 24, 2014 at 9:30 a.m.
State Capitol - Conference Room 325**

RE: HOUSE BILL NO. 2059, RELATING TO HOUSING

Chair Evans and Vice Chair Lowen, and members of the committee:

The Chamber **opposes** H.B. No. 2059. The bill proposes to increase the conveyance tax percentage amount paid into the rental housing trust fund.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Conveyance Tax was created to cover the administrative costs of recording the real estate transactions, such as those performed by the Bureau of Conveyances. With the recent amendments to the statutes, the conveyance tax is deposited into the general fund with the following allocations:

1. Ten per cent shall be paid into the **Land Conservation Fund** established pursuant to section 173A-5;
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3. Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the **Natural Area Reserve Fund** established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:
 - a. To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
 - b. Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and
 - c. The youth conservation corps established under chapter 193.

We are deeply troubled by the manner in which the Conveyance Tax has been used to generate revenue for unrelated purposes. There is no rational nexus between the real estate transactions that are being taxed at conveyance, and the uses identified in HRS 247 as the beneficiaries of the tax. We do not believe that the conveyance tax is being used in an appropriate manner. We believe the Auditor of the State of Hawaii had similar findings.

In July 2012 the Auditor of the State of Hawaii prepared a report entitled, "Study of the Transfer of Non-general Funds to the General Fund," Report No. 12-04. On page 26 of the report, the Auditor found:

"In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:

- Serves the purpose for which it was originally established;
- Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; . . ."

While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, we do not believe that the conveyance tax is the appropriate means to fund these programs. Finally, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

Thank you for the opportunity to express our views on this matter.



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"In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:

- Serves the purpose for which it was originally established;
- Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; . . ."

While we strongly support the various programs receiving funding from the revenues generated by the Conveyance Tax, we do not believe that the conveyance tax is the appropriate means to fund these programs. Finally, we question whether this specific type of legislation would even be introduced if the Conveyance tax were limited to its original purpose of recording real estate transactions.

Thank you for the opportunity to express our views on this matter.