

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the House Committee on  
FINANCE**

**Monday April 01, 2013  
2:30 p.m.  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 1166, SENATE DRAFT 1, HOUSE DRAFT 1  
RELATING TO THE CONVEYANCE TAX**

Senate Bill 1166, Senate Draft 1, House Draft 1 proposes to increase the conveyance tax on certain real estate transactions and directs an additional amount of conveyance tax revenues to the Natural Area Reserve Fund (NARF) for watershed protection and invasive species control. **The Department of Land and Natural Resources (Department) strongly supports this Administration bill as currently modified.**

Based on previous hearings on this measure and the concerns expressed by lawmakers to state tax or fee increases at this time, the Department supports this draft to increase allocations to NARF and the Rental Housing Trust Fund of the conveyance tax revenues. Senate Bill 1166, Senate Draft 1, House Draft 1 increases the NARF allocation to 35% of conveyance tax revenues, which would increase revenues by approximately \$5 million per year, based on FY 2013 revenues.

The conveyance tax is an appropriate funding source for watershed and natural area protection.

Act 156, Session Laws of Hawaii 2005 (The Legacy Land Act) states:

“The legislature has also determined that there is a clear nexus between the source of the conveyance tax and providing funding for watershed protection and other natural resource preservation programs. The development, sale, and improvement of real estate in Hawaii adds additional pressure on natural areas, coastal access, agricultural production, and Hawaii's water resources and watershed recharge areas.”

Currently, 13 states fund conservation with a portion of real estate transfer taxes. In Hawaii, the NARF receives a percentage of the state Conveyance Tax from the sale of real property and utilized by various program areas to further watershed protection and maintenance. The NARF is

**WILLIAM J. AILA, JR.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ESTHER KIA'AINA**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

the only dedicated funding source for watershed protection. In Fiscal Year 2011, the Watershed Partnership Program, which supports 11 partnerships state-wide, shared \$1.25 million from the NARF. In Fiscal Year 2012, the Legislature provided \$2.5 million in capital improvement project funding and directed \$2.5 million of special funding for the watershed initiative. The Department has used the NARF to provide these special funds.

This bill also provides a dedicated funding source for the control and eradication of harmful invasive species infestations throughout the state and for preventing the introduction of other invasive species that may be potentially harmful. The five island-based committees that control invasive species and contribute to watershed initiative have no authorized dedicated funding whatsoever. Funding the Hawaii Invasive Species Council is critical for protecting watershed forests from invasive species threats both from mainland United States and neighboring countries that Hawaii does regular commercial trade with.

Hawaii's water supply and economy depend on the health of mauka native forests, which capture and absorb rain and can increase groundwater supply by up to 50%. Forests are essential to provide water at affordable rates. Lower groundwater levels mean higher pumping costs to transport water for human use. When groundwater levels decline to a point that they cannot be pumped, expensive alternative water sources are needed – long transport pipes, new wells, and even desalination plants.

Water users already pay for the loss of native forests – and those costs are high. Invasive and widespread strawberry guava evapotranspires 27%-53%<sup>i</sup> more water than native forests, causing extensive water loss across landscapes. For example, in East Hawai'i invasive plants have already reduced estimated groundwater recharge by 85 million gallons a day.<sup>ii</sup> When one considers that a 5 million gallon per day desalination plant costs \$40 million to construct and over \$5.4 million per year to operate,<sup>iii</sup> the superior economic value of protecting our forests is readily apparent.

This measure implements the central natural resource stewardship goals of the Abercrombie Administration's *A New Day in Hawaii* plan. This Administration bill is a responsible measure to provide immediate action to ensure wide-ranging benefits essential to Hawaii's environmental and economic health for current and future generations.

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<sup>i</sup> Giambelluca, T. W., Delay, J. K., Asner, G. P., Martin, R. E., Nullet, M. A., Huang, M., Mudd, R. G., Takahashi, M. 2008. *Stand Structural Controls on Evapotranspiration in Native and Invaded Tropical Montane Cloud Forest in Hawai'i*. American Geophysical Union, Fall Meeting 2008, abstract #B43A-0422.

<sup>ii</sup> Engott, J. A. 2011. A water-budget model and assessment of groundwater recharge for the Island of Hawai'i: U.S. Geological Survey Scientific Investigations Report 2011-5078.

<sup>iii</sup> Honolulu Board of Water Supply. 2009. Waianae Watershed Management Plan. Prepared by Townscape, Inc. [http://www.boardofwatersupply.com/files/01\\_WWMP\\_Title%20Page\\_AUG09.pdf](http://www.boardofwatersupply.com/files/01_WWMP_Title%20Page_AUG09.pdf)



State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
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**TESTIMONY OF RUSSELL KOKUBUN  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON FINANCE  
APRIL 1, 2013  
Room 308  
2:00 P.M.**

**SENATE BILL NO. 1166 SD 1 HD 1  
RELATING TO THE CONVEYANCE TAX**

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to provide testimony on Senate Bill No. 1166 SD 1 HD 1, relating to the conveyance tax. The purpose of this measure is to increase the conveyance tax on certain real estate transactions and directs an additional amount of conveyance tax revenues to the natural area reserve fund for watershed protection and invasive species control. The Department of Agriculture supports this measure.

Generally speaking, there are three components that are necessary for agriculture to be successful – land, labor, and water. The lack of any one of these would result in the loss of viability for an agricultural endeavor. As an island state, the Department agrees with the Department of Land and Natural Resources as to the importance of securing Hawaii's water supply. The Department is in support of efforts to increase the ability to capture water and sustain critical water resources.

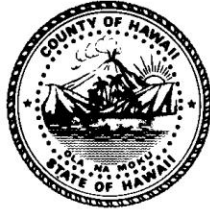
Furthermore, the Department is in support of resources being allocated to the Invasive Species Council to help battle invasive species. Beyond the damage that invasives can incur on our natural watershed resources, these same invasives can



result in crop damage, livestock deaths, and overall increased expenses for farmers decreasing their profitability and their likelihood for success.

We thank you for the opportunity to provide our testimony on this measure.

**William P. Kenoi**  
*Mayor*



**Walter K.M. Lau**  
*Managing Director*

**Randall M. Kurohara**  
*Deputy Managing Director*

## County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740  
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Hawai'i March 28, 2013

Chairperson Sylvia Luke  
House Finance Committee  
Hawai'i State Legislature  
415 S. Beretania St.  
Honolulu, HI 96813

### SB1166 SD1 HD1 Watershed Protection and Invasive Species Control; Conveyance Tax

Aloha Chairperson Luke and members of the Finance Committee,

The County of Hawai'i recently approved by charter amendment and convened a Game Management Advisory Commission (GMAC) which advises the Mayor of the County of Hawai'i on matters of importance to the significant hunting, fishing and traditional gathering communities of Hawai'i Island.

GMAC has relayed to me its opposition to SB1166 in its present form. The commission believes the present bill would cause tremendous harm to our island residents who have for generations relied on the animal resources, long established in our watersheds, to feed their families. They believe the term "manage" actually means "eradicate," the consequences of which will extinguish their lifestyle and further distance us from our goal of attaining food self-sufficiency and security in Hawai'i.

We fully understand the need to protect our vital watershed resources, and we feel the hunters and gatherers of Hawai'i are the state's allies in its successful management. I urge you to work with GMAC, which is requesting an amendment that would direct 10 percent of the revenues proposed for collection by this measure into the Wildlife Revolving Fund. The money would provide funding for programs to improve access, habitat and game quality and educate stakeholders and the public about the value and viability of proper game management in Hawai'i.

Should the amendment not be possible, we strongly support the retention of the July 1, 2050 effective date to allow the voices of our hunting and gathering communities to be heard and considered before this measure is approved.

If you have any questions or comments, please call my Kona executive assistant, Bobby Command, at 323-4442.

Mahalo

**Billy Kenoi**  
MAYOR

Testimony of  
Sharon Y. Moriwaki

House Committee on Finance  
1 April 2013, 2:00 p.m.  
Conference Room 308

**IN SUPPORT OF SB1166 SD1, Relating to the Conveyance Tax**

I am Sharon Y. Moriwaki, Associate Director of the University of Hawaii College of Social Sciences Public Policy Center and Co-chair of the Hawaii Energy Policy Forum. Today I am testifying as an individual with a deep commitment to the long-term sustainability of our island state, having worked on a variety of energy and sustainability issues and programs, including the Hawaii 2050 Sustainability Plan (“H2050 Plan”) and the collaborative efforts of the Hawaii Green Growth Initiative, a group of Hawai‘i leaders working together to implement some of the goals and priorities of the H2050 Plan.

SB1166, SD1 proposes to amend chapter 247, Hawaii Revised Statutes, to increase the amount of the conveyance tax and the allocation of the revenues to watershed protection and invasive species control.

Under HRS §247-7, a portion of conveyance tax revenue has already been appropriately used for land preservation and forested watershed conservation under the DLNR’s Land Conservation Fund and the Natural Area Reserve Fund, respectively. In 2005, the Legislature recognized in Act 156 the nexus between the source of the conveyance tax and watershed protection and other natural resource preservation programs, finding that “the development, sale, and improvement of real estate in Hawaii adds additional pressure on natural areas, coastal access, agricultural production, and Hawaii’s water resources and watershed recharge areas.”

While the development and sale of real estate boosts the state’s economy, it can also negatively impact the environment. For example, developed real estate affects the supply of fresh water that comes from our watersheds. To ensure that water is available not only for today but for future generations, we must ensure that the forested watersheds are healthy—not overrun by invasive plants and animals—so that they can capture rain and cloud moisture and deliver it efficiently to aquifers and surface sources for our use.

In the past, enormous amounts have been invested in the development and sale of real estate but comparatively little has been put into protecting the natural resources that also drive our economy. SB1166, SD1 wisely increases the investment in our natural resources not only for today but for our future. This bill is vital to our future and I thus respectfully urge its passage.

Thank you for the opportunity to testify.

# TAXBILLSERVICE

126 Queen Street, Suite 304

**TAX FOUNDATION OF HAWAII**

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** CONVEYANCE, Increase certain rates, amend disposition

**BILL NUMBER:** SB 1166, HD-1

**INTRODUCED BY:** House Committee on Water & Land

**BRIEF SUMMARY:** Amends HRS section 247-2 to increase the following conveyance tax rates for properties eligible for a home exemption with a value of \$2 million and over:

<b>Rate per \$100</b>	<b>Property Value</b>
from \$ .50 to \$ ____	\$2,000,000 but less than \$4,000,000
from \$.70 to \$ ____	\$4,000,000 but less than \$6,000,000
from \$.90 to \$ ____	\$6,000,000 but less than \$10,000,000
from \$1.00 to \$ ____	\$10,000,000 and over;

Also increases the following conveyance tax rates for properties ineligible for a home exemption with a value of \$2 million and over:

<b>Rate per \$100</b>	<b>Property Value</b>
from \$ .60 to \$ ____	\$2,000,000 but less than \$4,000,000
from \$.85 to \$ ____	\$4,000,000 but less than \$6,000,000
from \$1.10 to \$ ____	\$6,000,000 but less than \$10,000,000
from \$1.25 to \$ ____	\$10,000,000 and over

Amends HRS section 247-7 to increase the amount of conveyance tax revenues earmarked to the: (1) rental housing trust fund from 30% to 40%; and (2) natural area reserve fund from 25% to 35% provided that monies in the fund shall be used for: (a) projects undertaken with watershed management plans of the department of land and natural resources to protect and restore Hawaii's source of water; and (b) projects for invasive species control.

**EFFECTIVE DATE:** July 1, 2050

**STAFF COMMENTS:** This was an administration measure submitted by the department of land and natural resources LNR-08 (13). The proposed measure increases certain conveyance tax rates and increases the amount earmarked to the rental housing trust fund and the natural area reserve fund and expands the uses of the monies in the natural area reserve fund. While the measure proposes to raise additional funds for the rental housing trust fund and natural area reserve fund, it should be noted that as with any earmarking, the legislature will be giving their stamp of approval for another "automatic funding" mechanism for the particular program and its purposes. It should be noted that while funds would be diverted to the fund without any legislative intervention, they will also avoid legislative scrutiny, and it will be difficult to ascertain the effectiveness of the program. It would also be difficult to ascertain whether or not the fund has too little or too much revenue.

Further, while this measure also proposes to increase certain conveyance tax rates, it should be remembered that the conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. As 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 rates need to be “adjusted” to generate even more revenue?

This increase appears to target more expensive properties being bought and sold perhaps in the belief it will target wealthy prospective homeowners because the increase initiates at the \$2 million level. However, it should be remembered that this schedule also applies to non-residential properties covering everything from a mom and pop supermarket in Waialua to the Ala Moana Shopping Center to the car repair shop in Kaka’ako to the farm lot in Waimanalo, all of which probably are valued at greater than \$2 million. Thus, this proposal makes it even more expensive to do business in Hawaii.

If the number seems unfathomable, take a car repair shop in Kaka’ako valued at \$5 million. Under the current schedule for all properties, the rate is 70 cents and the resulting conveyance tax is \$35,000. Under the original version of this bill, the conveyance tax on that property would amount to an additional \$20,000 for an overall transfer tax of \$55,000. While some might say that a business can afford that amount in tax, imagine what another \$20,000 means to a small business like that car repair shop. How many cars will have to be repaired to make up the extra \$20,000 in conveyance taxes? Exorbitant as the sale price of that property may seem, that is reality for the commercial and industrial areas of Honolulu.

And what about the purchase of a residential apartment house that will be renovated and put on the market as affordable housing? Say the apartment building is valued at \$10 million, under the current schedule for residential properties which will not qualify for the home exemption, the tax would be \$125,000. Under the original draft measure, the tax would rise by \$75,000 to \$200,000. This additional cost will have to be recovered in the subsequent sale of the units which may or may not then be defined as affordable housing.

If the legislature deems that programs and purposes funded out of the rental housing trust fund and the natural area reserve fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. When the legislature dipped into housing special funds to maintain funding for programs like education and social services, that was poor tax policy. So, for example, because the housing market slowed last year, the rental housing trust fund realized only \$8.4 million in FY 2012 as compared to the \$9.6 million it received in the prior year. If asked, housing officials would probably say that is not enough to carry out their mandate, thus the program is underfunded. If the money were appropriated, lawmakers could then evaluate the real or actual needs of this particular program. It should be noted that the rental housing trust fund saw its share decline in 2009 from 30% to 25%.

Advocates of the increase blame the shortage of affordable housing on speculators who drive the cost of housing us and, therefore, should contribute to the mitigation of the lack of affordable housing by paying such higher conveyance tax rates on “luxury” housing. Apparently these advocates fell asleep in economics 101 when the law of supply and demand was being reviewed. It should be recognized that less than 5% of the state’s total land mass is zoned for urban use. This is a matter directed by the state’s



land use policies. Whether or not this is good policy is a matter of debate. However, what is clear is that the supply of land that can be developed as housing is limited. Given the growing population and, therefore, the rising demand for housing what else can be expected than a lot of dollars chasing a limited supply of land and therefore housing. What else can be expected that the cost of housing will continue to rise unless either supply is increased or demand is abated with a decline in population.

Lawmakers should also be aware of the fact that as the conveyance tax rates continue to rise, more and more sellers are seeking ways to circumvent the tax and, therefore, reporting the sales information. This has begun to frustrate real property tax assessors who rely on sales data to derive accurate assessments. Inasmuch as the conveyance tax was never intended to be a revenue resource, the recent strategy to tap it for revenues has actually created more problems in valuations which in turn affect real property owners when it comes to their assessments.

Digested 3/29/13

# THE TRUST *for* PUBLIC LAND

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CONSERVING LAND FOR PEOPLE

**THE TRUST FOR PUBLIC LAND'S TESTIMONY IN SUPPORT OF  
SB 1166, SD 1, HD 1 RELATING TO THE CONVEYANCE TAX**

**House Committee on Finance**

**Monday, April 1, 2013, 2:00 p.m., Room 308**

The Trust for Public Land strongly supports SB 1166, SD 1, HD 1 relating to the conveyance tax. This bill proposes to increase real estate conveyance taxes on real estate sales over \$2 million (although SD 1, HD 1 currently has the amount of the tax blank). The prior version of the bill sought to increase the Natural Area Reserve Fund's share of the conveyance tax revenues to 35%, and increase the Affordable Housing Rental Trust Fund's share of the conveyance tax revenues to 30% (SD 1, HD 1 leaves those amounts blank). The Legacy Land Conservation Fund's share of 10% would remain the same.

This bill will increase support for key government services that have been consistently underfunded. The services supported by this tax are invaluable -- the people of Hawai'i need clean drinking water and to get it, Hawai'i must properly manage and protect the forests and watersheds that produce our clean drinking water. We applaud the Legislature's support of the Governor's Rain Follows the Forest Initiative. We also support providing additional support to the Affordable Housing Rental Trust Fund and the Legacy Land Conservation Fund.

Although the Trust for Public Land supports this bill, I will not be able to appear in person to testify due to scheduling conflict.

Mahalo for this opportunity to testify -



Lea Hong  
Hawaiian Islands State Director  
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524-8563 (office), 783-3653 (cell)



David Derauf, M.D.  
 Marc Fleischaker, Esq.  
 Naomi C. Fujimoto, Esq.  
 Patrick Gardner, Esq.  
 Francis T. O'Brien, Esq.  
 David J. Reber, Esq.

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
 Supporting SB 1166 HD 1 Relating to the Conveyance Tax  
 House Committee on Finance  
 Scheduled for Hearing Monday, April 1, 2013, 2:00 PM, Room 308

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*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.*

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Thank you for an opportunity to testify in **strong support** of SB 1166 HD 1, which would increase the conveyance tax on certain transactions and increase the percent of conveyance tax revenues allocated to the Rental Housing Trust Fund as well as the Natural Area Reserve Fund for watershed protection and invasive species control.

We greatly appreciate that SB 1166 HD 1 increases allocations to both environmental and affordable housing initiatives. But in light of the severe shortfall in affordable housing stock, we respectfully urge the committee to **amend** the bill by increasing the percent of conveyance tax revenues to the **Rental Housing Trust Fund to 50%**.

Hawai'i faces a severe shortage of affordable housing:

- More than 75 percent of poor households are paying more than half their income in housing costs.
- Hawai'i has the third highest rate of homelessness among the states—a crisis that can only be solved through more affordable housing.
- In the next four years, Hawai'i will need 13,000 more units to meet the need for affordable rentals.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing with a long record of success. The Fund may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units.

- As of June 2012, 4,250 rental units have been created or are in development thanks to the assistance of the Rental Housing Trust Fund and other leveraged funding.
- The public-private partnerships created by the fund help develop long broader, long-term strategies to address our affordable housing needs.
- However, the 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, but was only able to commit \$20.7 million for four of the nine projects submitting requests. Many projects are ready to be developed and only waiting on funding.
- The conveyance tax is the only dedicated source of funding for this program, and the amount allocated has been dramatically reduced over the last six years, from 50 percent in 2006 to 30 percent.

Development and sales of real estate help strengthen our economy, but these transactions put great pressure on our housing markets and environment. The conveyance tax is a fair and appropriate source of dedicated funding for both affordable housing and protection of our land, especially forested watersheds, the source of all of our drinking water—which is also critical to keeping Hawai'i's cost of living manageable. We must take action now to increase our affordable housing stock, and we strongly urge you to restore funding for the Rental Housing Trust to the 2006 level at 50% of conveyance tax revenues.

NEIL ABERCROMBIE  
Governor

SHAN TSUTSUI  
Lieutenant Governor



## HAWAI'I INVASIVE SPECIES COUNCIL

### MEMBERS

Co-Chairs:  
WILLIAM AILA, JR. (DLNR)  
RUSSELL KOKUBUN (DOA)

Loretta Fuddy (DOH)  
M.R.C. Greenwood, Ph.D. (UH)  
Richard Lim (DBEDT)  
Glenn Okimoto (DOT)

### PARTICIPANTS

Keali'i Lopez (DCCA)  
Alapaki Nahale-a (DHHL)  
Maj. Gen. Darryll Wong (DOD)

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Clarence Nishihara  
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U.S. Department of the Interior  
U.S. Department of Defense  
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## Testimony of the HAWAI'I INVASIVE SPECIES COUNCIL

### Before the House Committee on FINANCE

Monday, April 1, 2013  
2:00 PM

Hawai'i State Capitol, Room 308

### In consideration of Senate Bill 1166 RELATING TO THE CONVEYANCE TAX

Revenues from the conveyance tax on property sales are currently used to support the general fund, the Rental Housing Trust Fund, and conservation initiatives through the Natural Area Reserve Fund and Legacy Land Conservation program. Senate Bill 1166 increases the portion of conveyance tax revenues directed to the Rental Housing Trust Fund and the Natural Area Reserve Fund for watershed protection and invasive species control. This bill further adds invasive species projects, including the Hawai'i Invasive Species Council, as designated beneficiaries of Natural Area Reserve Funds. The original language of SB1166 would also have increased conveyance tax rates only on properties valued over \$2M, thereby generating more revenue. **The Hawai'i Invasive Species Council strongly supports this bill.**

The legislature has previously identified the nexus between the conveyance tax and conservation funding as providing a necessary balance between the environmental demands of rapidly expanding development and the conservation of natural resources. Increases in the demand for fresh water and an increasing influx of nonnative, harmful species are addressed in part by the natural area reserve fund, which supports conservation projects including, but not limited to, the Natural Area Reserve System, the Watershed Partnerships, and the island-based Invasive Species Committees. These initiatives have not been adequately supported by general fund appropriations and rely on conveyance tax revenues to protect Hawai'i's environment and way of life.

The increase in conveyance tax described in the original version of this bill would affect those properties valued above \$2M, which in FY12 accounted for approximately 2% of properties sold in Hawai'i.

The *A New Day in Hawai'i* plan established by Governor Abercrombie describes the importance of protecting Hawai'i's watersheds for local water

production, as well as the critical need to prevent and control invasive species that negatively impact Hawai'i's ecosystems. The Governor's Watershed Initiative (also known as *The Rain Follows the Forest*) and the Hawai'i Invasive Species Council (an interdepartmental council of State cabinet members created to address invasive species issues) are established programs that address these essential goals in the *A New Day in Hawai'i* plan.

The annual cost of the *The Rain Follows the Forest* program is estimated at \$11M. In addition the Hawai'i Invasive Species Council has provided as much as \$4M annually to projects focusing on prevention, control, research and outreach regarding invasive species. In FY12 the legislature provided for *The Rain Follows the Forest* \$2.5M in Capital Improvement Program funding and designated \$2.5M of special funds at the Department of Land and Natural Resources.

Since its creation by the legislature in 2003, the Hawai'i Invasive Species Council has not been provided with a dedicated funding source. While \$2M annually was originally provided in general funds from the legislature, no general funds have been provided since FY09. Special funds provided by the Division of Forestry and Wildlife at the Department of Land and Natural Resources have allowed the Hawai'i Invasive Species Council to maintain an annual budget, which in FY13 is supporting 17 projects across the state. These projects protect our shores from nonnative marine organisms found on ship hulls or in ballast water, assist homeowners with the control of stinging invasive ants, control damaging forest pests such as *Miconia calvescens*, and support the control of pests such as the coqui frog. Senate Bill 1166 would add the Hawai'i Invasive Species Council as a designated beneficiary of the natural area reserve fund, finally providing this program with a dedicated funding source.

Senate Bill 1166 is a necessary and responsible measure that will provide funding for critical environmental programs to support the health of Hawai'i's ecosystems and our way of life. Therefore, the Hawai'i Invasive Species Council strongly supports this bill.

*The Hawai'i Invasive Species Council is an interagency collaboration established by Chapter 194, Hawai'i Revised Statutes, for the purpose of cabinet-level direction on invasive species prevention, control, research, and outreach issues in Hawai'i.*

Testimony of The Nature Conservancy of Hawai'i  
Supporting S.B. 1166 SD 1 HD1 Relating to the Conveyance Tax  
House Committee on Finance  
Monday, April 1, 2013, 2:00PM, Room 308

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*The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.*

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The Nature Conservancy of Hawai'i strongly supports S.B. 1166 SD1 HD1 and its purpose to generate additional funding to protect Hawai'i's forested watersheds and to control invasive species. We would also support increased funding in this measure to help meet the state's critical affordable rental housing needs via the State Rental Housing Trust Fund.

Under HRS §247-7, a portion of conveyance tax revenue has been appropriately used for land preservation and forested watershed conservation via the DLNR's Land Conservation Fund and the Natural Area Reserve Fund, respectively. The Legislature recognized this clear nexus in Act 156 (HB 1308 CD1, 2005), stating:

The legislature has also determined that there is a clear nexus between the source of the conveyance tax and providing funding for watershed protection and other natural resource preservation programs. The development, sale, and improvement of real estate in Hawaii adds additional pressure on natural areas, coastal access, agricultural production, and Hawaii's water resources and watershed recharge areas.

While the development and sale of real estate can have very positive effects on the state's economy, it also poses some significant challenges. For example, fresh water is not a limitless resource that can forever be tapped to support developed real estate. The source of fresh water is not the faucet, pipe, or even the well or stream it's drawn from. The real source is a system of healthy forested watersheds—not forests overrun by invasive plants and animals—that captures rain and cloud moisture and delivers it efficiently to aquifers and surface sources for subsequent consumption in our daily lives.

Over the years, enormous amounts have been invested in the development and sale of real estate in Hawai'i. However, we make a comparatively tiny investment in protecting the natural resources that also drive our economy and provide benefits that allow us to survive in the middle of the Pacific. Several locations in the state are experiencing ongoing drought, water management areas being declared, climate change is likely to produce more severe storms but overall less rainfall, and the University of Hawaii's 2012 Rainfall Atlas catalogues a century of declining rainfall that is worse in recent decades.

We must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. One of the most effective tools we have to help address the effects of climate change and declining rainfall in Hawai'i is to protect our forests. Healthy and diverse Hawaiian forests that are not degraded by invasive pests act like a sponge, collecting rain and moisture from passing clouds, slowly delivering fresh water into streams and aquifers, absorbing greenhouse gases, and reducing runoff and siltation into streams and onto coral reefs during storm events.

This bill is a wise investment in our future. We urge your support.

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Testimony of the Oahu Invasive Species Committee in support of SB 1166 Relating to the Conveyance Tax

Monday April 1st Conference Room 308

The Oahu Invasive Species Committee strongly supports SB 1166 which would provide critical funding to keep Hawaii's forests and watersheds healthy. The Oahu Invasive Species Committee has eradicated and stopped the spread of many high-threat invasive plants by removing them before they move into Hawaii's Natural Area Reserves.

The Natural Area Reserve fund has supported much needed conservation and creates jobs for the green-collar economy. Keeping the watershed health requires hiring staff to go out and remove invasive plants. It has been an important source of funding for OISC, but despite this, OISC has been critically short of funds for the past several years.

Fully protecting Hawaii's watersheds requires more funding than the state has traditionally dedicated to conservation. This bill will correct that. NAR funds are highly leveraged; every dollar from the NAR fund creates another dollar of conservation funding to match it. An investment now by the legislature will ensure the sustainability of Hawaii's fresh water supply for future generations. Thank you for the opportunity to comment.

Sincerely,

Oahu Invasive Species Committee



23 E. Kawili St, Hilo, HI 96720 • Phone: (808) 933-3340

Supporting SB 1166: Relating to the Conveyance Tax  
House Finance Committee  
April 1, 2013 2:00



Unprotected lands in the Pohakuloa Saddle Region of the Big Island are ravaged by unchecked goat populations and extended drought. "This was a living 100-acre stand of `akoko in 2003."



"This change is happening fast. It is accelerating."

Thank you for convening this hearing and considering the importance of revenue for the Natural Area Reserve Fund. The Big Island Invasive Species Committee strongly supports SB 1166, which increases the conveyance tax just 2% on high-end real estate transactions and directs an additional ten percent of those proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.



Invasive plants and animals are among the most significant threats to our watersheds, native species habitats, cultural areas, recreation areas, and agricultural lands. Increasingly, invasive species including imported snakes, the Little Fire Ant and the towering, but short lived and brittle albizia tree, also pose a threat to the health and safety of our citizens. The island Invasive Species Committees (ISCs) are public-private partnerships working diligently to detect and control new introductions of invasive species in the state and to manage the spread of those we already have, yet the ISCs have no dedicated source of state funding.

The ISCs have been successful at leveraging state funds we do receive to attract private, federal, and county money. Supporting this measure sends the message that our state government understands the cost savings of a preventive, rather than reactive approach to invasive species control. A more robust and reliable source of state funding improves the ability of the ISCs to attract matching funds, and to focus more time achieving project objectives.

The choice to direct conveyance tax dollars is well reasoned. On Hawaii Island, since the loss of the sugar industry, large properties purchased by investment and absentee landowners serve as increasingly costly source populations of invasive species, including albizia, miconia, and coqui frogs. Landowners who do not live on or work the land they own have little incentive to invest in controlling invasive species which therefore proliferate unchecked. These land owners are often difficult to locate or contact for permission to access their lands for survey and control work, delaying and increasing the cost of future work. When they sell their land, they pass these costs on to the new owners, and to the invasive species control programs that must control their spread to public lands.



Photo credit: Logan Berner

**Albizia threatens homes in the Puna region, falling across roads, power lines, and properties. Looking like giant broccoli crowns, the tree has spread to native forests where it suppresses `ohia and eliminates stands of koa.**

**On the Hamakua Coast, the trees are spreading across large tracts of prime agricultural lands; the cost of clearing is prohibitive to farmers. Ten percent of Urban Hilo is shaded by Albizia (Berner, 2011).**



Impenetrable stands of gorse that steadily choked out the Nobriga Ranch for over 30 years are being cleared by a gyrotrack mulcher, at \$200 per hour. Where small new populations spring up, BIISC fights them on foot, for \$27 an hour.

Every citizen benefits from government investment in well-managed agricultural lands and watersheds. On the Big Island as elsewhere in the U.S., our ranchers depend on public-private partnerships to keep grazing lands profitable. Where invasive species control has failed, these family businesses have failed. Many of the most expensive properties in Hawaii are found in the leeward, urban zones—areas of low rainfall and dense human population. Their access to cheap, reliable drinking and irrigation water is a direct result of the state's and the former territory's historic investment in watershed protection.

Raising the conveyance tax on high-end properties will not interfere with transactions. Buyers rarely consider this tax when purchasing property. Most focus on interest rates for loans and mortgages, and the conveyance tax is almost always included in the mortgage, spread over many years. There would be negligible impact to sellers and buyers.

The positive impacts of this bill are significant. Only 10% of our watersheds in Hawai'i are protected and managed. Invasive species programs are working at 60% funding, compared to pre-2008 levels, and despite every form of cost-cutting, are conducting far less work as a result. SB 1166 will drive 'on the ground' results to protect native forests and secure Hawaii's watersheds for future generations.

Mahalo for your support of this important measure.



Where goats have been removed from fenced units in dry forests, native plants maintain the watershed. These plants face the *same drought conditions* as those in unfenced areas (Page 1), but are freed from the added stress of sheep, deer, and goat browsing. After a few years, the “fertilizer” once provided by animal manure is used up, so weeds lose much of their competitive advantage and are replaced by native species. Plants featured: Ko`o ko`o lau, mokihana, ohelo, ukiuki.





## CONSERVATION COUNCIL FOR HAWAI'I

Testimony Submitted to the House Committee on Finance  
Hearing: Monday, April 1, 2013 2:00 pm  
Room 308

In Support of SB 1166 Relating to the Conveyance Tax

Aloha. The Conservation Council for Hawai'i strongly supports SB 1166 SD 1 HD 1, which increases the conveyance tax on high-end real estate transactions and the portion of conveyance tax revenues directed toward watershed protection and invasive species control.

Invasive species are one of the most significant threats to our watersheds, native species, habitats, cultural areas, recreation areas, and agricultural lands.

Raising the conveyance tax on high-end properties will not interfere with transactions. The conveyance tax is levied against the seller, who usually passes it on to the buyer. Most buyers never include the conveyance tax in their decision to purchase property; instead, they are looking at interest rates for loans and mortgages, and the tax is usually folded into the mortgage over many years anyway.

While the effect of this bill on real estate transactions will be negligible, the positive impacts of the bill are significant. Currently, only ten percent of our watersheds in Hawai'i are protected and managed. HB 935 will help increase that amount and secure precious water resources for future generations. At the same time, native species and ecosystems, cultural resources, and the Rental Housing Trust Fund will also benefit from this bill.

Please pass SB 1166 SD 1 HD 1. Mahalo nui loa for the opportunity to testify.

Sincerely,

Marjorie Ziegler

Attachment: Important Reasons to Protect Our Native Forests and Watersheds Now



**Hawai'i's Voice for Wildlife – Ko Leo Hawai'i no na holoholona lohiu**

Telephone/Fax 808.593.0255 • email: [info@conservehi.org](mailto:info@conservehi.org) • web: [www@conservehi.org](http://www@conservehi.org)

P.O. Box 2923 • Honolulu, HI 96802 • Office: 250 Ward Ave., Suite 220 • Honolulu, HI 96814

President: Hannah Springer \* Vice-President: Julie Leialoha \* Treasurer: Bianca Isaki \* Secretary: Wayne Tanaka

Directors: Rick Barboza \* Lida Pigott Burney \* Maka'ala Ka'auomoana \* Koalani Kaulukukui \* Robin Kaye

Executive Director: Marjorie Ziegler

### **Important Reasons to Protect Our Native Forests and Watersheds Now**

A 1999 study by the University of Hawai'i estimated the value of the Ko'olau Mountain forests and watersheds - one of 12 major watershed areas in the state - between \$7.4 and \$14 billion.

In recent years, enormous amounts have been invested in the development and sale of real estate, and continued investment in development and construction is helping to lift our economy out of recession. Yet, we make a comparatively tiny investment in protecting the natural resources that also drive our economy and provide benefits that allow us to survive in the middle of the vast Pacific.

The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources. It makes sense to spend a portion of conveyance tax revenue on protecting those natural resources.

The Rain Follows the Forest initiative is working to ensure fresh water is available for the people of Hawai'i in perpetuity by protecting our watershed forests, a central goal of A New Day in Hawai'i plan.

The conveyance tax bill would support this watershed protection through essential forest management programs, invasive species control, land acquisition, and other conservation programs.

More than half of Hawai'i's forests have been lost. Historically, the threat was overharvesting and development. Today's threat is invasive plants and animals.

When forests are lost or degraded, Hawai'i loses its source of fresh water. The longer we wait to take significant action, the higher the cost will be to reverse the damage, thereby threatening water supplies for future generations.

Healthy forests will become even more critical as we experience the likely effects of climate change, including more severe storms but overall less rainfall, and temperature changes that may benefit invasive pests.

Healthy forests that are not overrun by invasive species efficiently capture and deliver fresh water into streams and aquifers for our use.

By pulling moisture from passing clouds, forests can actually increase water capture up to 50% more than through rainfall alone.

Forests also help mitigate erosion and runoff into our precious streams and coastlines



CATHOLIC CHARITIES HAWAII

**SUPPORT, with suggested amendment, FOR SB 1166, SD1, HD1: RELATING TO THE CONVEYANCE TAX**

TO: Representative Sylvia Luke, Chair, Representative Scott Y. Nishimoto, Vice Chair, Representative Aaron Ling Johanson, Vice Chair, and Members, Committee on Finance

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

**Hearing: Monday, 4/1/13; 2:00 pm; CR 308**

Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members, Committee on Finance:

Thank you for the opportunity to provide **strong support for SB1166** to increase the allocation from the conveyance tax to the Natural Area Reserve Fund for watershed protection and invasive species control and to the Rental Housing Trust Fund for affordable housing. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. Catholic Charities strongly supports this funding for land protection and affordable housing since both are critical to Hawaii's future.

Hawaii's long term needs for clean water as well as housing need to be addressed now. Every year without adequate funding, we fall farther behind. Homelessness impacts on our tourist industry and on daily life in our neighborhoods and businesses. Hawaii has the 3<sup>rd</sup> highest rate for homelessness among the states. Catholic Charities receives calls every day from people who need an affordable place to live. The Rental Housing Trust Fund has a proven record of creating affordable rental units. It receives many more applications than can be funded. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for 4 out of the 9 projects due to limited resources. 312 units in 5 projects could not be funded.

We appreciate SB1166, HD1's proposed increase to the Trust Fund of 40% of the conveyance tax. Due to the critical and growing need, we urge you to **amend the bill (page 7, line 9) to restore the percentage of the conveyance allocated to the Rental Housing Trust Fund (RHTF) to 50%.** In 2006, the Legislature recognized the dire need for more affordable housing, and increased the percentage of the conveyance tax allocated to the Trust Fund to 50% of the tax proceeds. Due to the recent economic crisis, the percentage was 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. The conveyance tax is the only dedicated source of funding to the RHTF. **This is projected to yield only \$10 million for FY 13.** This will not achieve the production of the 13,000 affordable rental units that are needed in the state.

Please support the increased funding to NARS as well as restoring 50% of this tax to the Rental Housing Trust Fund. Thank you for your vision for the future of Hawaii.



**Testimony of the Hawaii Green Growth Initiative  
In Support of HB 935/SB 1166 Relating to the Conveyance Tax**

**House Committee on Water and Land**

1 April 2013, 2:00pm  
Conference Room 308

Audrey Newman  
Hawaii Green Growth Initiative  
P.O. Box 535  
Hoolehua, Hawai'i 96729

Aloha Chair Luke, Vice Chair Johanson, Vice Chair Nishitmoto, and Members of the Committee:

I am writing on behalf of the Hawaii Green Growth Initiative (HGG) in support of **HB 935/SB 1166 to provide critical funding for watershed protection and invasive species management through a strategic increase in the real estate conveyance tax**. HGG brings leaders from the energy, food and environmental sectors together to achieve Hawaii's sustainability goals and to be a model for building a green economy. HGG's members include more than 40 leaders from government, private, and non-profit organizations in Hawai'i.

HGG asks you to support HB 935/SB 1166 because it creates an innovative funding source to expand protection of Hawaii's watersheds and water supply, and to address our most pressing invasive pest species.

HGG recognizes the critical importance of Hawaii's watersheds and water supply to the long-term sustainability of our island economy, culture and environment. Watershed protection and restoration paired with invasive species removal significantly increases water availability by ensuring that our forests function to effectively absorb rain, deliver it into streams and aquifers, and decrease erosion and siltation, which also benefits our reefs and fisheries. Healthy watersheds also help to mitigate climate change and assist in the Hawaii Clean Energy Initiative's target by absorbing greenhouse gases.

The real estate conveyance tax provides an appropriate source for funding: the development and sale of real estate is driver of Hawaii's economy, but also strains our natural resources, including water supplies. Allocation of conveyance tax revenue to the Natural Areas Reserve Fund would increase much needed support for watershed protection through critical forest management programs, invasive species control, land acquisition, and other conservation programs.

We ask for your strong support of this bill. Protecting Hawaii's watersheds is the most cost-effective way to protect Hawaii's fresh water supply - this water is essential for Hawaii's residents, agriculture, environment, and energy (with the emerging potential for investment in biofuels). Implementation of this bill is an important investment in Hawaii's future.

As a partnership representing Hawaii's leaders in environment, food and energy, HGG asks for your support of HB 935/SB 1166. Mahalo nui for your time and consideration,





House of Representatives  
Committee on Finance  
April 1, 2013  
2:00 p.m., Conference Room 308  
State Capitol

### **Testimony in Support of SB 1166 SD1 HD1**

Aloha Chair Luke, Vice Chairs Nishimoto and Johansen, and Members of the Committee,  
The Coordinating Group on Alien Pest Species (CGAPS) **supports SB 1166 SD1 HD 1, Relating to the Conveyance Tax**, which would provide critical funding for watershed protection and formally specify invasive species control as fundable through the NARF.

As you know, with a growing population and more industry, the demand for fresh water is increasing. At the same time, the exponential spread of water-wasting invasive species like strawberry guava and changing climate patterns threaten the ability of forests to deliver fresh water. Funding to increase protection for priority watersheds by fencing, ungulate and invasive plant removal is key. As high a priority is the long-term invasive species control work that is provided by biocontrol, and the early detection/rapid response work done by the Invasive Species Committees and other groups.

We must recognize that the threats to, and demands on our watershed forests are greater than ever, and will continue to increase. Passage of SB 1166 SD1 HD1 would help provide the funding necessary for the hard work that must be done. Mahalo for your consideration.

Aloha,

Christy Martin  
Coordinating Group on Alien Pest Species (CGAPS)  
Ph: (808) 722-0995



April 1, 2013

**The Honorable Sylvia Luke, Chair**  
House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: S.B. 1166, S.D.1, H.D.1, Relating to Conveyance Tax**

**HEARING: Monday, April 1, 2013 at 2:00 p.m.**

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

I am Dale Bordner, President of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its 8,000 members. HAR **strongly opposes Section 2** of S.B. 1166, S.D.1, H.D.1 which proposes to increase the Conveyance Tax rate on certain real estate transactions.

This measure proposes to increase the Conveyance Tax on real estate transactions of \$2 million and higher. **The Conveyance Tax applies to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes.**

HAR believes that, while watershed protection may have value, the Conveyance Tax increases set forth in S.B. 1166, S.D.1, H.D.1 will again increase the already high cost of housing, living and doing business in Hawaii.

In 2005, the Conveyance Tax was increased on a tiered scale on 1) the sale of realty for all transfers or conveyance of realty or any interest (i.e. commercial, timeshare, agricultural, industrial, etc, and condominium or single family residence for which the purchaser is eligible for a county homeowner's exemption) and 2) the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption.

In 2009, the Legislature once again increased the Conveyance Tax on 1) the sale of realty from 30 cents per \$100 (.30%) for properties over \$1,000,000 to a maximum of \$1.00 (1%) per \$100 for properties over \$10,000,000 -- an increase of over 333%, and 2) the sale of a property ineligible for a county homeowner exemption from 30 cents per \$100 to \$1.25 per \$100 (1.25%) -- an increase of over 416.66%.

**The Conveyance Tax applies whether or not a property is sold at a gain or a loss.** HAR further adds that the Conveyance Tax was originally created to cover administrative costs of

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recording real estate transactions, such as those performed by the Bureau of Conveyance, for which there is a clear nexus. We believe the allocation structure of the Conveyance Tax should benefit those programs and initiatives where there is a clear linkage such as the Rental Housing Trust Fund.

The bill acknowledges that the beneficiaries of watershed management plans are state residents as a whole, not just individuals and companies involved in real estate transactions. **Because of his broad public benefit to Hawaii's residents, watershed management plans should draw support from a broader tax (i.e., the general fund) rather than the Conveyance Tax.**

Hawaii's natural resources are enjoyed by residents and visitors as a whole, and as such, should be supported via funds from a broader tax base because of the broad public benefit.

Mahalo for the opportunity to testify in strong opposition.



COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
HAWAII CHAPTER

March 30, 2013

The Hon. Sylvia Luke, Chair, and  
Members of the House Committee on  
Finance

Re: Testimony in **Opposition** to S.B. No. 1166, S.D.1, H.D.1, Relating to the  
Conveyance Tax  
Hearing Date and Time: 2:00 p.m., April 1, 2013  
Conference Room 308, Hawaii State Capitol

Dear Chair Luke and Members of the Committee:

I am submitting this testimony on behalf of NAIOP Hawaii in **opposition** to S.B. No. 1166, S.D. 1, H.D. 1 relating to the conveyance tax. We are the Hawaii chapter of NAIOP, the Commercial Real Estate Development Association, which is the leading national organization for developers, owners and related professionals in office, industrial and mixed-use real estate. The local chapter comprises property owners, managers, developers, financial institutions and real estate related professionals who are involved in the areas of commercial and industrial real estate in the State of Hawaii.

NAIOP Hawaii has submitted testimony to the Legislature since the 1990s, voicing its concerns regarding the potential misuse of the conveyance tax. Unfortunately, the concerns voiced by NAIOP over the years have largely come to fruition, through dramatic increases in rates of the tax and diversion of tax revenues into areas unrelated to the conveyance tax.

The purpose of the conveyance tax was to cover the costs of running the Bureau of Conveyances. It was never intended to be a revenue-generating tax. However, over time various non-conveyance uses for the conveyance tax revenue have been proposed and implemented by the Legislature. While these causes might be worthy, they were never intended to be supported by the conveyance tax. There is simply no nexus between the tax and what it is being used for.

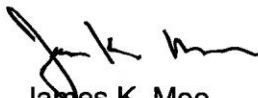
The rates of the tax have also been increased dramatically in the past several years. At this point it has become a punitive surtax on many real estate transactions. It is no longer a conveyance tax but a type of capital gains tax surcharge. However, it is more onerous than a true capital gains tax, because not just the gain on the transfer is taxed, but instead the entire face value of the transaction. Indeed, even if the conveyance is at a loss, the tax is imposed. And it is a hidden tax, because it only shows up as an expense line item on a closing statement.

We believe the continuing misuse of this tax is harmful to the economy and reinforces the perception of Hawaii as a high-tax jurisdiction which is to be avoided for investment and business purposes.

The Hon. Sylvia Luke and Members of the House Committee on Finance  
March 30, 2013  
Page 2

Thank you for the opportunity to testify on this measure. We would urge that it be held in committee.

Respectfully,

A handwritten signature in black ink, appearing to read 'J K Mee', written in a cursive style.

James K. Mee  
Chair, Legislative Affairs Committee

# BIA-HAWAII

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*"Building Better Communities"*

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## Testimony to the House Committee on Finance

**Monday, April 1, 2013**

**2:00 p.m.**

**State Capitol - Conference Room 308**

### **RE: S.B. 1166 S.D. 1, H.D. 1, RELATING TO THE CONVEYANCE TAX**

Dear Chair Luke, Vice-Chairs Nishimoto and Johanson, and members of the Committee:

My name is Gladys Marrone, Director of Government Relations for the Building Industry Association of Hawaii (BIA-Hawaii), the voice of the construction industry. BIA-Hawaii promotes its members through advocacy and education, and provides 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** S.B. 1166, S.D. 1, H.D. 1. The bill proposes to increase the conveyance tax on certain real estate transactions and to increase portions of conveyance tax revenues allocated to the Natural Area Reserve Fund for watershed protection and invasive species control, and the Rental Housing Trust Fund.

The conveyance tax was created for the purpose of covering the administrative costs of recording real estate transactions, such as those performed by the Bureau of Conveyance. With subsequent amendments to the statutes, however, 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.

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, which is collected by a certain group, is the appropriate means to fund these programs, which benefits the general public.

We are deeply troubled by the manner in which the conveyance tax has been used to generate revenues for unrelated purposes. There is no rational nexus between the real estate transactions that are being taxed at conveyance and the uses identified in Chapter 247, HRS, 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.

### **Auditor's Report**

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; . . ."*

The Report also contains the following findings on two of the funds receiving funding through the Conveyance Tax (pages 29 and 30):

*"Another example of a fund that has no benefit-user charge linkage is the Department of Land and Natural Resources' Land Conservation Fund. Under Section 247-7(1), HRS, the Legislature authorized funding from 10 percent of the state real property conveyance tax receipts. However, the purpose of the fund is to conserve and protect lands having value as a resource to the state through either acquisition of property or through permanent conservation easements to protect resource values. Hence, beneficiaries of the conservation and preservation programs are state residents as a whole, and as such the programs should be supported by funding from a broader tax because of the broad public benefit. Although the Legislature determined the conveyance tax an appropriate means of funding conservation of natural resources, the Land Conservation Fund established under Section 247-7(1), HRS, the program should draw support from the general fund rather than a tax charged on individuals and companies involved in real estate transactions."*

*"Likewise, the Natural Area Reserve Fund has minimal linkage between the benefits and the fund revenue, which comes from conveyance taxes paid on real estate transactions. The fund supports programs such as the Natural Area Partnership and Forest Stewardship programs, projects undertaken in accordance with watershed management plans, and the Youth Conservation Corps. Individuals that pay this tax may benefit from the Natural Area Reserves program, but so do other Hawai'i residents and visitors to the state."*

Representative Sylvia Luke, Chair  
House Committee on Finance  
Monday, April 1, 2013  
S.B. 1166, S.D. 1, H.D. 1  
BIA-Hawaii

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.

We do not believe that S.B. 1166, S.D. 1, H.D. 1, utilizes the conveyance tax in an appropriate manner. The proposed bill only exacerbates the current problem.

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



Email: [communications@uluponoinitiative.com](mailto:communications@uluponoinitiative.com)

HOUSE COMMITTEE ON FINANCE  
Monday, April 1, 2013 — 2 p.m. — Room 308

**Ulupono Initiative Supports SB 1166 SD1 HD1, Relating to the Conveyance Tax**

Chair Luke, Vice Chairs, and Members of the Committee:

My name is Kyle Datta, General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

**Ulupono supports SB 1166 SD1 HD1**, which increases the conveyance tax on certain real estate transactions and directs an additional amount of conveyance tax revenues to the natural area reserve fund for watershed protection and invasive species control.

As investors in sustainable local food systems, we at Ulupono understand the critical importance of water and supporting essential watershed protection through proven programs in forest management, invasive species control, land acquisition, and conservation. Hawai'i also needs a healthy water system to ensure the long-term viability of local agriculture.

While real estate sales help Hawai'i's economy, they can also put increased pressure on natural resources including the islands' water supply.

We see a modest increase in the conveyance tax as a sensible, logical and comparatively small investment in protecting the natural resources that are the foundation for our economy and quality of life on our islands. A portion of the conveyance tax is already used to ensure long-term funding to critical natural resource management programs.

Ulupono is a member of the Hawai'i Green Growth Initiative, a diverse group of Hawai'i leaders committed to advancing Hawai'i's sustainability goals. Ulupono believes that working together we can help produce more local food and clean renewable energy while reducing waste.

Respectfully,  
Kyle Datta  
General Partner





## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 30, 2013 7:24 PM  
**To:** FINTestimony  
**Cc:** launahale@yahoo.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/30/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Benton Pang	Individual	Support	No

Comments: I support increasing the conveyance tax to protect our watersheds, and increase our quality of life. · The Rain Follows the Forest initiative is working to ensure fresh water is available for the people of Hawai'i in perpetuity by protecting our watershed forests, a central goal of A New Day in Hawai'i plan. · Healthy forests efficiently capture and deliver fresh water into streams and aquifers for our use. By pulling moisture from passing clouds, forests can actually increase water capture up to 50% more than through rainfall alone. · When forests are lost or degraded by invasive species, Hawai'i loses its source of fresh water. · More than half of Hawaii's forests have been lost. Historically, the threat was overharvesting and development. Today's threat is invasive plants and animals. Sincerely, Benton Pang

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 8:04 AM  
**To:** FINTestimony  
**Cc:** bisaki@gmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bianca K Isaki	Individual	Support	No

Comments: To whom it may concern, I'm writing in support of SB 1166. · The Rain Follows the Forest initiative is working to ensure fresh water is available for the people of Hawai'i in perpetuity by protecting our watershed forests, a central goal of A New Day in Hawai'i plan. · Healthy forests efficiently capture and deliver fresh water into streams and aquifers for our use. By pulling moisture from passing clouds, forests can actually increase water capture up to 50% more than through rainfall alone. · When forests are lost or degraded by invasive species, Hawai'i loses its source of fresh water. · More than half of Hawaii's forests have been lost. Historically, the threat was overharvesting and development. Today's threat is invasive plants and animals. · The longer we wait to take significant action, the higher the cost will be to reverse the damage, thereby threatening water supplies for future generations. · Forests also help mitigate erosion and runoff into our precious streams and coastlines. · Healthy forests will become even more critical as we experience the likely effects of climate change, including more severe storms but overall less rainfall. · The Administration's goal of doubling the number of acres of watershed forest protected over the next decade requires approximately \$11 million per year, supporting an estimated 150 direct local jobs. · The conveyance tax bill would support this watershed protection through essential forest management programs and invasive species control. · The development and sale of real estate helps drive Hawaii's economy, but it also puts pressure on our natural resources, including water supplies. · Fresh water is clearly a limiting factor here in the middle of the Pacific. · Several locations in the state are experiencing ongoing drought, water management areas are being declared, climate change is likely to produce more severe storms but overall less rainfall, and the UH's 2011 Rainfall Atlas catalogues a century of declining rainfall that is worse in recent decades. · Fresh water is not a limitless resource that can forever be tapped to support our developed real estate. · It makes sense to spend a portion of conveyance tax revenue on protecting the sources of our fresh water. Sincerely, Bianca Kai Isaki, Ph.D.

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## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 12:15 PM  
**To:** FINTestimony  
**Cc:** bsager42@gmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bill Sager	Individual	Support	No

Comments: Once an invasive species slips through quarantine, swift control action is the only hope of eliminating a threat to our health and to our watersheds. Consistent funding is vital. This bill is a big step in the right direction.

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 4:52 PM  
**To:** FINTestimony  
**Cc:** cbrosius@yahoo.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chris Brosius	Individual	Support	No

Comments: The State of Hawaii lacks the funding necessary to adequately protect our native Hawaiian forested watersheds. Forest degradation continues at a high rate due to the influx of invasive species. Our forests are key to the sustainability of our fresh water supply which has been declining in recent decades. Intact native forests efficiently gather, filter, and release water while also increasing the rate of water gathered by passing clouds by as much as 50 percent. Please consider this administrative bill to further safeguard our precious forest resources and ensure the availability of water for our personal, agricultural, industrial and residential needs. This measure has all of Hawaii at its interest. Investment now to combat the effects of invasive species through fencing, priority invasive plant control and feral ungulate control will prevent the problem from getting worst in the long run. The requested funds are meant to double the land currently protected. The connection between the conveyance tax and watershed conservation is clear. An intact forest ecosystem perpetuates the water on which development relies. Without healthy forests water resources become unstable. Without stable water supplies we can not ensure water for all of Hawaii's economic needs.

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 1:17 PM  
**To:** FINTestimony  
**Cc:** rezentesc@aol.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cynthia K.L. Rezentes	Individual	Support	No

Comments: Mahalo for hearing this measure. I urge your support of this measure for both increasing the percentage of conveyance tax funds to the natural area reserves fund and the rental housing trust fund. Both of these items are important to the State, one to help manage and improve the quality of our watersheds and the other to increase the viability of providing more affordable housing to our working class individuals and our houseless. Mahalo for your positive consideration. Cynthia K.L. Rezentes

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 30, 2013 9:20 AM  
**To:** FINTestimony  
**Cc:** gregorysuarez@gmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/30/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dr. Gregory Suarez	Individual	Support	No

Comments: Dear Members of the Finance Committee, I urge you to pass SB1166. I am a regular volunteer for the Oahu Natural Area Reserves, because I know how important it is to malama the forests for our keiki. During my volunteering, I have learned how native trees are much better at harvesting rainwater than invasive trees, and I have seen the extensive damage that invasive species have caused across our remaining native areas. These beautiful forests need our help. Please support this important bill.

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 30, 2013 10:50 AM  
**To:** FINTestimony  
**Cc:** jkimof@msn.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/30/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
James Kimo Falconer	Individual	Support	No

Comments: Please support SB 1166 as a vote in support of our precious and very fragile mauke water resources. Mahalo James Kimo Falconer

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 31, 2013 9:24 AM  
**To:** FINTestimony  
**Cc:** palmtree7@earthlink.net  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
janice palma-glenie	Individual	Support	No

Comments: protecting our aquifers/watershed for critical, innumerable reasons makes this bill a Win. please support it. mahalo.

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 30, 2013 1:12 PM  
**To:** FINTestimony  
**Cc:** fuzzyhippo@hotmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/30/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jason McMurray	Individual	Support	No

Comments: Full support for our forests!

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 30, 2013 9:14 AM  
**To:** FINTestimony  
**Cc:** jbowens@hawaii.edu  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/30/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jesse Owens	Individual	Support	No

Comments: Aloha, I support SB1166. Protecting forests in Hawaii is common sense, however so much of our forests have been destroyed from neglect. Much more funding is needed to preserve our irreplaceable forests. Investing in our source of water is critical. Mahalo. Jesse Owens Honolulu, HI 96814

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 12:55 PM  
**To:** FINTestimony  
**Cc:** jonthebru@gmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John Bruce	Individual	Comments Only	No

Comments: In favor of SB1166 Environmental preservation and enforcement would be a very good use of a portion of the conveyance tax. All the trees and little critters of the forest thank you. Respectfully...

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 31, 2013 12:51 PM  
**To:** FINTestimony  
**Cc:** gordines@kauaiflowers.com  
**Subject:** \*Submitted testimony for SB1166 on Apr 1, 2013 14:00PM\*

### **SB1166**

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John Gordines	Individual	Support	No

#### Comments:

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## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 31, 2013 12:28 PM  
**To:** FINTestimony  
**Cc:** kgunder@hawaii.edu  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Keren Gundersen	Individual	Support	No

Comments: The longer we wait to take significant action, the higher the cost will be to reverse the damage, thereby threatening water supplies for future generations. The time to finally act is now. I ask that you please pass SB1166.

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## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 29, 2013 12:33 PM  
**To:** FINTestimony  
**Cc:** wctanaka@gmail.com  
**Subject:** Submitted testimony for SB1166 on Apr 1, 2013 14:00PM

### **SB1166**

Submitted on: 3/29/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Wayne Tanaka	Individual	Support	No

Comments: Please support this investment in the maintenance of our forests and watersheds, which are essential to the long-term physical, cultural, and psychological survival and prosperity of the people of Hawai'i nei. Our keiki and mo'opuna deserve no less. Mahalo nui loa for your consideration of this matter. Wayne Tanaka, Pauoa HI 96813

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Testimony Presented before the  
House Committee on Finance  
Representative Cindy Evans, Chair  
Representative Nicole E. Lowen, Vice Chair  
by  
Dr. Sylvia Yuen

1 April 2013, 2:00pm  
Conference Room 308

**Support for SB 1166 SD1, Relating to the Conveyance Tax**

Chair Luke, Vice Chair Johanson, Vice Chair Nishimoto, and members of the House Committee on Water and Land: Thank you for the opportunity to present my personal testimony in support of SB 1166 SD 1, which increases the conveyance tax on certain real estate transactions and directs an additional amount of conveyance tax revenues to the natural area reserve fund for watershed protection and invasive species control.

We can live without many things, but we cannot survive without water. Data presented in the University of Hawaii's Rainfall Atlas indicate that rainfall has been declining for the past 100 years in Hawaii, and the situation will be exacerbated in the future as climate change is likely to result in overall less rainfall. The shortage of water can be devastating to Hawaii's agriculture, economy, environment, lifestyle, and wildlife. It is imperative that steps be taken now to ensure fresh water is available in perpetuity. This can be done by protecting our forests—the source of Hawaii's fresh water—as these precious resources may be damaged or lost without immediate action and later interventions will result in higher costs.

Development and real estate contribute to Hawaii's economy, but they also put pressure on our natural resources, including water supplies. The present measure will support essential watershed protection through proven programs in forest management, invasive species control, land acquisition, and conservation which will benefit residents and visitors to our islands. The modest increase in the conveyance tax revenue to protect the source of our fresh water is a wise investment which will yield many benefits to Hawaii's people now and in the future.

March 31, 2013, 2013

To: Representatives Sylvia Luke, Chair and Scott Nishimoto Vice Chair and Committee Members,  
Committee on Finance  
Representatives Cindy Evans, Chair and Nicole Lowen, Vice Chair and Committee Members  
Committee on Water and Land

From: Patrick Conant

Regarding: Testimony supporting SB 1166 SD1 HD1

I am very much in support of this much needed measure. We all take for granted that when we turn on the tap, we will get good clean drinking water, for whatever use we need. But do we all really understand where it comes from and where it starts? Unless you spend time in watershed forests and have a basic understanding of what makes clouds form on our mountains and where that rain goes to end up in our water pipes, you need to understand that resource to protect it. The early Hawaiians understood how the "forest catches the clouds". The deforestation of the South slope of Haleakala and Kahoolawe has reduced those areas to deeply eroded barren lands. Those former forests used to catch the clouds. Wild ungulates are much to blame at both sites (and bombing on Kahoolawe did not help). This same scenario continues to play out on different scales on all the islands (except that Kahoolawe is now ungulate-free), including Niihau. It is just harder to discern on the larger, greener islands.

It has been said that those that ignore history are doomed to repeat it. At the turn of the 19th century, large scale fencing of our Forest Reserves was accomplished and thousands of wild goats, cattle and sheep were shot to protect watersheds, for sugar cane cultivation in particular. Our predecessors were partly motivated by profit, but at least they recognized that the forests were under siege and needed protection. So here we are about 100 years later and we should ask ourselves if we have maintained that forest/watershed protection over that time. In small fenced areas we have, thanks to efforts by the Division of Forestry and Wildlife, the Watershed Partnership Programs and NGO's like The Nature Conservancy, Maui Land and Pineapple, Kamehameha Schools, Ulupalakua and Haleakala Ranches and others. But on the whole we have not done nearly enough. Our forests are not only under siege by newer alien weeds, but also newer wild game ungulates: deer and mouflon. If we don't support serious control of these aliens, we won't have the water to support our growing population. It takes money, and that is what this Bill is about. The funds are needed to control those alien weeds and fence wild ungulates out of our mauka native forests.

Research by faculty of the UH Manoa Geography Department on the hydrology of native forest vs. alien plant dominated forest (strawberry guava) has shown that the guava takes 27% more water out of the ground than the native forest. And that is just a single species of weed that has been studied! Our forests are becoming choked with Miconia, fiddle wood, Himalayan kahili ginger, faya tree, "Albizia", Australian tree fern and many more. Sheep, goats, deer and mouflon are causing erosion on all islands they occur on (except deer on the Big Island have only just been found and must be removed ASAP).

Global warming is predicted to make droughts in Hawaii more frequent. Ranching and horticulture in drier parts of the State is already difficult. Our water comes from watersheds, plain and simple. No watershed protection= less water for agriculture, domestic use, industry, hotels etc. Using a part of the conveyance tax for watershed protection makes sense, since more development means more water is needed. Please support this critically important Bill.



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 31, 2013 12:52 PM  
**To:** FINTestimony  
**Cc:** m\_olry@hotmail.com  
**Subject:** \*Submitted testimony for SB1166 on Apr 1, 2013 14:00PM\*

### **SB1166**

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michele Olry	Individual	Support	No

#### Comments:

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TESTIMONY ON BEHALF OF S.B. 1166 SD1 HD1 – RELATING TO THE CONVEYANCE TAX

April 1, 2013

**(COMMENTS)** Thank you for the opportunity to submit testimony in support of S.B. 1166, SD1 HD1. My name is Michael Buck, former Hawaii State Forester from 1989 to 2004. I support this measure. Senate Bill 1166, SD1 HD1 provides the completion of a historic commitment to protect and enhance Hawaii's forested watershed resources. It is a commitment that our past generation gave to us and one that we should make for future generations.

Hawaii's forests exist today only because of a considerable investment and political consensus established and maintained over the last 100 years. While recognized as enormous assets to our economy and society, many of our priority forested watershed landscapes are now slowly degrading, and so is our water supply. Recognizing this in 2001, the Hawaii Legislature allocated a portion of the conveyance tax for watershed protection. This investment helped create Hawaii's eleven island-based Watershed Partnerships that work collaboratively with more than 71 public and private partners on six islands to protect over 2.2 million acres of vital forested watershed lands. That is over one-half of the State of Hawaii! An incredible success story, providing a model for the rest of the nation in landscape level forest management.

Why dedicate public monies for watershed management . It is important to remember that private lands comprise @ one half of the priority watershed areas in the State (and two thirds on the island of Oahu). Historically, private landowners allowed their forests to be managed by the Territory, under surrender agreements, but retained the water rights and did not pay any property tax. But times have changed as real property tax incentives for watersheds have not been adopted by the counties, the public now "owns" the water, and the majority of these lands are now in restrictive Conservation limits. While restrictive zoning can prevent development in priority forested watersheds, it does not pay for watershed management.

Why the conveyance tax to pay for watershed management . All citizens and business sectors benefit from our forested watersheds. The nexus between a dependable water supply and real estate value is obvious. **The money has to come from somewhere** - a graduated tax on high-end real estate transactions makes sense. The 2001 Hawaii Legislature agreed, allocating a portion of the conveyance tax, after considering a range of other options. Issues of State/county relationships, military use of water, role of tourism sector, and agricultural subsidies all complicate a fair and equitable mechanism for payment. Now is the time to finish the commitment - a sound and historic investment for the next generation.

Thank you for the opportunity to submit testimony.