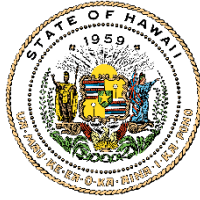


JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

RYAN KP KANAKAOLE
FIRST DEPUTY

DEAN D. UYENO
ACTING 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

**Testimony of
DAWN N. S. CHANG
Chairperson**

**Before the House Committee on
FINANCE**

**Monday, February 26, 2024
3:30 PM**

State Capitol, Conference Room 308 and Via Videoconference

**In consideration of
HOUSE BILL 1592, HOUSE DRAFT 1
RELATING TO THE LAND CONSERVATION FUND**

House Bill 1592, House Draft 1 proposes to strengthen the buying power of the Legacy Land Conservation Program by increasing, from \$5.1 million to an unspecified amount, the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. **The Department of Land and Natural Resources (Department) strongly supports this measure, with comments, and offers amendments that would further strengthen the State's ability to help protect resources and preserve lands for conservation purposes by (1) repealing the dollar cap amount of conveyance taxes paid into the Land Conservation Fund and (2) providing for an immediate cash infusion into the Land Conservation Fund.**

The Department of Taxation reports that FY 2023 conveyance tax revenue totaled \$92.1 million (down from \$188.4 million in FY 2022). Using the most recent growth rate projected by the Council on Revenues (January 8, 2024), FY 2024 conveyance tax revenue would total nearly \$110 million. If the Land Conservation Fund (LCF) could receive a straight ten percent allocation of this revenue (almost \$11 million in FY 2024), then the cash balance of the LCF would receive an immediate, sorely needed \$5.9 million boost. Also, the portion of FY 2024 revenue that could be used for FY 2025 management grants (capped at five percent of the previous year's revenue) would be \$550,000 rather than \$255,000.

This additional funding would drive a faster recovery from COVID-driven downturns in LCF revenue for the Legacy Land Conservation Program, which continues to suffer from a \$15 million transfer to the general fund and an ongoing, annual \$1.7 million reduction created by tightening down the revenue cap. Without an increased revenue stream, we estimate that (1) available LCF cash in FY 2025 would be only \$6.2 million to support an \$8.9 million appropriation from the existing budget act, and (2) available LCF cash in future years would be further suppressed at \$5.1 million, with just \$3.2 million of that available for competitive grant awards that enable land acquisition and land management for resource protection purposes. The Department also notes that—unlike the Rental Housing Revolving Fund, which received about \$750 million in general fund appropriations and bond-funded cash to date and is exempt from appropriation and allocation—the LCF does not receive general fund appropriations or bond-funded cash, relies solely on conveyance tax revenue for nearly all of its operating budget, and must advocate continually to establish its annual spending authority.

Therefore, the Department requests that the Committee consider amending Sections 2 and 4 of this measure to read as follows:

SECTION 2. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

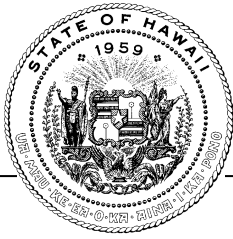
"§247-7 Disposition of taxes. All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent [~~or [\$5,100,000,] \$ _____,~~ whichever is less,] shall be paid into the land conservation fund established pursuant to section 173A-5; and

(2) Fifty per cent or \$38,000,000, whichever is less, shall be paid into the rental housing revolving fund established by section 201H-202."

SECTION 4. This Act, upon its approval, shall take effect retroactively on July 1, 2023[~~3000~~].

Mahalo for the opportunity to testify in strong support of this measure.



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii'i 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <https://planning.hawaii.gov/>

Statement of
MARY ALICE EVANS, Interim Director

before the
HOUSE COMMITTEE ON FINANCE
Monday, February 26, 2024
3:30 PM
State Capitol, Conference Room 308

in consideration of
BILL NO HB1592. HD1
RELATING TO THE LAND CONSERVATION FUND.

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

The Office of Planning and Sustainable Development (OPSD) **supports** HB1592, HD1, which increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

Current statutes allocate to the land conservation fund ten percent of the conveyance tax collected, or \$5,100,000, whichever is less. Both conservation costs and revenues collected have risen substantially since this cap was established many years ago. To provide adequate funding for the land conservation fund's critical mission, this bill as amended would raise the cap to an as-yet unspecified amount. Raising or eliminating the cap is an appropriate response to the escalating costs of land preservation and revenues from the conveyance tax funds collected.

Thank you for the opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE TAX; Increase Earmark to Land Conservation Fund

BILL NUMBER: HB 1592 HD 1

INTRODUCED BY: House Committee on Water & Land

EXECUTIVE SUMMARY: Increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

SYNOPSIS: Amends section 247-7(1), HRS, by increasing the cap on the earmark on the conveyance tax from \$5.1 million to \$[unspecified].

EFFECTIVE DATE: July 1, 3000.

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

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

Act 84, SLH 2015, imposed a \$6.8 million cap on the earmark. In 2015, the Conference Committee explained the rationale for the cap on the earmark as follows:

Your Committee on Conference finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State. Your Committee on Conference believes that, by establishing maximum amounts to be distributed to various non-general funds from the conveyance tax, this measure will make forecasts of general fund revenues more reliable, will increase legislative oversight of agencies and programs supported by the non-general funds, and will subject those agencies and programs to

competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

Conf. Comm. Rep. No. 156 (2015).

The cap was reduced to \$5.1 million in the budget bill of 2020, Act 9, SLH 2020. This is the amount that is proposed to be raised to an unspecified amount by this bill.

Raising or removing the cap on the earmarked revenues should be done only with great caution. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by this 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. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 2/24/2024

February 26, 2024

The Honorable Kyle T. Yamashita, Chair

House Committee on Finance

State Capitol, Conference Room 308 & Videoconference

RE: House Bill 1592 HD1, Relating to the Land Conservation Fund

HEARING: Monday, February 26, 2024, at 3:30 p.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR provides **comments** expressing concerns on House Bill 1592 HD1, which increases the maximum amount of conveyance tax revenues allocated to the land conservation fund. Effective 7/1/3000.

The Conveyance Tax applies to not only residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. It was originally created to fund the Bureau of Conveyances, but has increased over the years and evolved into a revenue source for the Land Conservation Fund, Rental Housing Revolving Fund, and general fund. Increasing the cap for either special fund leads to a decline in revenue for the general fund.

Hawaii's real estate market has slowed due to rising interest rates to address inflation, resulting in a 27.22% decrease in single-family home sales and 29.15% decrease in condominium sales year-to-date as of December 2023.¹ The challenge with linking funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

While the Land Conservation Fund is valuable, a more reliable funding alternative is for the Land Conservation Fund to seek appropriations through the regular budgetary process.

Mahalo for the opportunity to provide comments on this measure.

¹ Hawai'i REALTORS®. (2023). *Statewide Real Estate Statistics*. www.hawaiiirealtors.com/resources/housing-trends-2

HB-1592-HD-1

Submitted on: 2/24/2024 8:59:06 PM

Testimony for FIN on 2/26/2024 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Hawaii Reef and Ocean Coalition	Support	Written Testimony Only

Comments:

The Hawaii Reef and Ocean Coalition supports this bill to strengthen the buying power of the Legacy Land Conservation Program by raising the maximum amount of deposited annual conveyance tax revenue to \$10 million.

Hawaii Reef and Ocean Coalition (by Ted Bohlen)



Testimony Before The
House Committee on Finance (FIN)
IN SUPPORT OF HB1592 HD1
February 26, 2024, 3:30PM, Room 308 & Zoom

We are Olan Leimomi Fisher and Kevin Chang, Kua'āina Advocate and Executive Director, respectively, testifying on behalf of [Kua'āina Ulu 'Auamo \(or KUA\)](#). "Kua'āina Ulu 'Auamo" stands for "grassroots growing through shared responsibility," and our acronym "KUA" means "backbone." **Our mission is to connect and empower communities to improve their quality of life through the collective care for their biocultural (natural and cultural) heritage, serving as a "backbone organization" that supports creative and community-driven solutions to problems stemming from environmental degradation.** Hawai'i's biocultural resources continue to be negatively impacted by political, economic, and social changes, and the increasing dangers of climate change make fostering and empowering resilient communities acutely critical.

Currently KUA supports three major networks of: (1) almost 40 mālama 'āina (caring for our 'āina or "that which feeds") community groups collectively referred to as E Alu Pū (moving forward together); (2) over 60 loko i'a (fishpond aquaculture systems unique to Hawai'i) and wai 'ōpae (anchialine pool systems) sites in varying stages of restoration and development, with numerous caretakers, stakeholders, and volunteers known as the Hui Mālama Loko i'a ("caretakers of fishponds"); and (3) the Limu Hui made up of over 50 loea (traditional experts) and practitioners in all things "limu" or locally-grown "seaweed." Our shared vision is to once again experience what our kūpuna (ancestors) referred to as **'āina momona** – abundant and healthy ecological systems that sustain our community resilience and well-being.

KUA supports, with amendments, HB1592 HD1 as an incremental step toward 'āina momona.

This bill's current HD1 version would increase the dollar maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund from \$5.1 million to an unspecified amount. KUA strongly supports the original version of this bill, which would raise the dollar amount to \$10 million, or at least ten percent, whichever is less. **Please amend HB1592 back to the original \$10 million dollar amount.** Among other needs, members of our statewide networks and future generations need a more skilled and resourced Department of Land and Natural Resources' Division of Conservation and Resources Enforcement (DLNR-DOCARE) officers, and it is encouraging to see bills like HB1592 HD1 that will support DOCARE's evolution into a truly effective enforcement arm for our state's precious biocultural resources.

A primary function of KUA includes support for the development of an **'auwai**, or a system of resources, tools, bridges, relationships, and networks that cultivate and elevate our communities' efforts to greater levels of collective impact in the care of our biocultural resources. One of these resource pathways has been the Legacy Lands Fund which allows for the acquisition or protection of lands that community groups can own outright, co-steward, or

manage in collaboration with our state. **Allowing for more partnerships with community leaders and our state government to flourish benefits not only the intent and purpose of our Hawai'i State Constitution, but also uplifts future generations of responsible Hawai'i stewards.** Many of our network members have acquired (or have begun the process to acquire) land to serve as co-stewards or conservation easement monitors/managers, and a growing number of our communities have visions to one day own or co-manage resources with our state. As such, **we expect and hope for more community co-stewards over time seeking the support of the Legacy Land Conservation Program (LLCP).**

The resourceful and bright community members that KUA works with and supports are committed to ensuring the long-term health of our biocultural resources that they have cared for and depended on for generations – committing their lives to mālama i ka 'āina o Hawai'i, hugely benefiting everyone in our state and local governments. **We believe our environment, the foundation of our very existence, is about long-term investment and a vision of 'āina momona.** To get there it requires taking the steps necessary for greater self-sufficiency, development of a pipeline of new and more innovative career pathways, mindsets, relationships, and resources for mālama 'āina efforts. The LLCP program is one such pathway and an 'auwai "resource flow" that helps communities invest in the long-term vision of caring for our 'āina – "that which feeds" and supports our collective future. Passing this bill out of your committee is a start on a pathway toward reaching this vision. Please **PASS with amendments** HB1592 HD1 with the original \$10 million dollar amount.

Mahalo for this opportunity to testify in support of this important measure.

Aloha 'Āina Momona no nā kau ā kau.

**Testimony of The Nature Conservancy
Support for HB 1592 HD1, Relating to the Land Conservation Fund
Committee on Finance
February 26, 2024, 3:30 p.m.
Conference Room 308 & Videoconference**

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Nature Conservancy (TNC) **offers comments on** HB 1592 HD1, relating to the Land Conservation Fund, which increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

We strongly support eliminating the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund and urge the committee to ensure that language in this bill actually does so.

The Land Conservation Fund supports the Legacy Land Conservation Program (LLCP), which funds grants to state and county governments and non-profit land conservation organizations to acquire land and protect valuable resources for public benefit. Protecting these lands offers wide benefits for the people of Hawai'i, including reforestation efforts that help mitigate the impacts of climate change by providing freshwater and preventing runoff, drought, and wildfires. As real estate prices rise, raising the cap on allocations to the Land Conservation Fund will help meet the demand for and cost of acquiring land for public and ecological benefit. If this bill were to be amended to increase funds to the Land Conservation Fund it will support much needed land protection efforts as Hawai'i battles the impact of climate change.

Mahalo for the opportunity to testify **with comments on** HB 1592 HD1.

BOARD OF TRUSTEES

Duke E. Ah Moo Kris Billeter Dr. C. Tana Burkert Anne S. Carter (Chair) Ka'iulani de Silva Dave Eadie
Matt Emerson Hon. Judith Epstein Dr. Alan M. Friedlander Benjy Garfinkle Sean A. Hehir Puni Jackson
Brett MacNaughton Janet Montag Alicia Moy Bradley E. Smith Julie Smolinski Vern M. Yamanaka

Ihupani Advisory Council: Paul D. Alston Christopher J. Benjamin Kenton T. Eldridge Eiichiro Kuwana
Duncan MacNaughton Jean E. Rolles Crystal K. Rose Nathan E. Smith

Founders: Samuel A. Cooke Herbert C. Cornuelle