

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Thursday, February 25, 2021
11:00 AM

State Capitol, Via Videoconference, Conference Room 308

In consideration of
HOUSE BILL 498, HOUSE DRAFT 1
RELATING TO AQUATIC RESOURCES

House Bill 498, House Draft 1 proposes to authorize the Department of Land and Natural Resources (Department) to use in-lieu fee mitigation to restore, create, enhance, or preserve aquatic habitats or resources as compensatory mitigation. **The Department fully supports this measure.**

Compensatory mitigation refers to the restoration, creation, enhancement, or preservation of aquatic habitats or resources for the purposes of offsetting unavoidable adverse impacts. Generally, when prospective permittees anticipate damages to natural resources, natural resource agencies require that all reasonable measures are taken to avoid and minimize the impact on the natural resources at the site of the project. When unavoidable damage does occur, resource agencies will require compensatory mitigation to offset the resource losses. Permittees must then either conduct the new compensatory mitigation projects themselves or transfer their obligations to mitigate damage to a third party by paying into a mitigation bank or in-lieu fee. These two third party compensatory mitigation mechanisms can also be used in the context of unauthorized resource damage, such as coral damage from ship groundings, where responsible parties are required to pay to remediate damages. Natural resource agencies prefer mitigation banks and in-lieu fee mitigation to permittee-responsible mitigation because these third-party mitigation bank or in-lieu fee sponsors are often public or private entities with more experience, scientific expertise, and vested long-term interest in natural resource conservation.

This measure would provide the Department with another innovative mechanism to improve state stewardship of aquatic public trust resources and habitats, increase accountability for aquatic resource damage, and provide higher quality remediation to make damaged resources whole again. In the 2016 Legislative Session, the Department obtained authority to establish and

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
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

operate mitigation banks for the same purposes. Mitigation banking is a mechanism in which a mitigation bank sponsor selects degraded aquatic habitats, restores aquatic functions, and quantifies these “banked” improvements as “credits” which can then be sold to responsible parties required by state and federal resource agencies to mitigate prospective or actual damage to aquatic resources. In-lieu fee is essentially mitigation banking in reverse: a third party in-lieu fee mitigation sponsor accepts funds from permit applicants or responsible parties required to provide compensation in order to mitigate actual natural resource damage and then develops restoration projects. In-lieu fee mitigation sponsors typically combine the fees collected from many permitted projects or damage settlements with smaller scale impacts and create larger and more ecologically-valuable mitigation projects.

In the future, the Department expects to accept fees in-lieu of mitigation from two sources: 1) unauthorized resource damage settlements, fines, and penalties; and 2) permittees required to mitigate damage by state or federal law. Although in-lieu fee mitigation has been predominantly used to restore wetland and stream habitats in other parts of the United States, there has been an increasing national interest in using in-lieu fee mitigation to improve coral reef, sea grass, and estuarine habitats. The Department intends to be the first state in the nation to establish in-lieu fee mitigation for coral reefs.

The authority to conduct in-lieu fee mitigation is the next step in the process of creating innovative tools mechanisms for aquatic resource conservation to protect the state’s fragile and valuable public trust resources. In conclusion, as mentioned previously, the Department fully supports House Bill 498, House Draft 1.

Thank you for the opportunity to comment on this measure.

HB-498-HD-1

Submitted on: 2/24/2021 8:34:34 AM

Testimony for FIN on 2/25/2021 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ted Bohlen	Hawaii Reef and Ocean Coalition	Support	No

Comments:

To: The Honorable Sylvia Luke, Chair,

The Honorable Ty Cullen, Vice Chair, and Members of the

House Committee on Finance

From: Hawaii Reef and Ocean Coalition (by Ted Bohlen)

Re: Hearing **HB498 HD1– RELATING TO AQUATIC RESOURCES**

Thursday February 25, 2021, 11:00 a.m., by videoconference

Position: **STRONG SUPPORT of HB498 HD1!**

Aloha Chair Luke, Vice Chair Cullen, and Finance Committee members:

Position: **The Hawaii Reef and Ocean Coalition STRONGLY SUPPORTS HB498 HD1!**

The HAWAI'I REEF AND OCEAN COALITION – HIROC – was formed in 2017 by coral reef scientists, educators, local Hawaii environmental organizations, elected officials, and others to address the crisis facing Hawaii's coral reefs and other marine life.

House Bill 498 HD1 proposes to authorize the Department of Land and Natural Resources (Department) to use in-lieu fee mitigation to restore, create, enhance, or preserve aquatic habitats or resources as compensatory mitigation.

Compensatory mitigation refers to the restoration, creation, enhancement, or preservation of aquatic habitats or resources for the purposes of offsetting unavoidable adverse impacts. Generally, when prospective permittees anticipate damages to natural resources, natural resource agencies require that all reasonable measures are taken to avoid and minimize the impact on the natural resources at the site of the project. When unavoidable damage does occur, resource agencies will require compensatory mitigation to offset the resource losses. Permittees must then either conduct the new

compensatory mitigation projects themselves or transfer their obligations to mitigate damage to a third party by paying into a mitigation bank or in-lieu fee. These two third party compensatory mitigation mechanisms can also be used in the context of unauthorized resource damage, such as coral damage from ship groundings, where responsible parties are required to pay to remediate damages. Natural resource agencies prefer mitigation banks and inlieu fee mitigation to permittee-responsible mitigation because these third-party mitigation bank or in-lieu fee sponsors are often public or private entities with more experience, scientific expertise, and vested long-term interest in natural resource conservation. This measure would provide the Department with another innovative mechanism to improve state stewardship of aquatic public trust resources and habitats, increase accountability for aquatic resource damage, and provide higher quality remediation to make damaged resources whole again.

In the future, the Department expects to accept fees in-lieu of mitigation from two sources: 1) unauthorized resource damage settlements, fines, and penalties; and 2) permittees required to mitigate damage by state or federal law. Although in-lieu fee mitigation has been predominantly used to restore wetland and stream habitats in other parts of the United States, there has been an increasing national interest in using in-lieu fee mitigation to improve coral reef, sea grass, and estuarine habitats. **The Department intends to be the first state in the nation to establish in-lieu fee mitigation for coral reefs.** The authority to conduct in-lieu fee mitigation is the next step in the process of creating innovative tools mechanisms for aquatic resource conservation to protect the state's fragile and valuable public trust resources.

The Hawaii Reef and Ocean Coalition **STRONGLY SUPPORTS** giving the Department authority to establish in-lieu fee mitigation for coral reefs. Please pass this bill! Mahalo!

Hawaii Reef and Ocean Coalition (by Ted Bohlen)



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

LATE

To: The Committee on FINANCE

Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

Re: HB498 RELATING TO AQUATIC RESOURCES

Position: SUPPORT

Hearing Date: Thursday, February 25, 2021 11:00 a.m. Via Videoconference

Aloha Chair Luca, Vice Chair Cullen and Committee members,

The members of the Legacy Reef Foundation support HB498. The use of aquatic mitigation banks to protect and rebuild our coral reefs is supported by the members of Legacy Reef Foundation.

Sincerely,

Bill Coney
Co-Founder
Legacy Reef Foundation