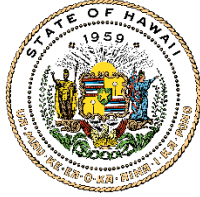


JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

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

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Testimony of  
DAWN N. S. CHANG  
Chairperson

Before the House Committee on  
FINANCE

Tuesday, February 28, 2023  
11:30 AM  
State Capitol, Conference Room 308

In consideration of  
HOUSE BILL 908, HOUSE DRAFT 1  
RELATING TO THE LAND CONSERVATION FUND

House Bill 908, House Draft 1 proposes to strengthen the buying power of the Legacy Land Conservation Program by increasing the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund from \$5.1 million to \$9.8 million. **The Department of Land and Natural Resources (Department) strongly supports this measure provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request, and offers an amendment that would further enhance the State's ability to help protect resources and preserve lands for conservation purposes.**

For fiscal years 2021, 2022, and 2023, conveyance tax revenue deposited into the Land Conservation Fund (LCF) has declined to the lowest level in the LCF's eighteen-year history. Further weakened by the recent transfer of \$15 million from the LCF to the general fund, LCF buying power in today's real estate markets falls short of the legislated mandate "to establish permanent adequate funding for land conservation" (Act 156, Section 1, Session Laws of Hawaii 2005), then pegged at 10% of annual conveyance tax revenue, uncapped.

The Department of Taxation reports that Fiscal Year 2022 conveyance tax revenue totaled over \$188.4 million, and that Fiscal Year 2023 conveyance tax revenue reached over \$50.1 million by the end of December 2022 (second quarter). If Fiscal Year 2023 revenue collections continue at the current pace and are distributed in Fiscal Year 2023 under the \$9.8 million cap proposed by this measure, then the cash balance of the LCF would receive an immediate \$3.7 million boost for investing in future land acquisitions, and the portion of Fiscal Year 2024 appropriations that could be awarded for competitive management grants to aid some of the forty-plus State, county,

and private properties in the LCF portfolio would be \$490,000 rather than \$255,000. Therefore, the Department requests that the Finance Committee consider amending SECTION 3, page 1, line 16 of this measure to read as follows:

SECTION 3. This Act shall take effect [~~on June 30, 3000.~~]  
upon approval.

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

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: CONVEYANCE, Increase Earmark to Land Conservation Fund

BILL NUMBER: HB 908 HD 1

INTRODUCED BY: House Committee on Water & Land

EXECUTIVE SUMMARY: Amends the ceiling amount of conveyance tax to be deposited into the land conservation fund from \$5.1 million to \$9.8 million.

SYNOPSIS: Amends section 247-7(1), HRS, to provide that 10% of the tax collections or \$9.8 million, whichever is less, shall be paid into the land conservation fund.

EFFECTIVE DATE: June 30, 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 \$9.8 million 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: 2/25/2023

**Testimony of The Nature Conservancy  
Supporting HB 908 HD1, Relating to the Land Conservation Fund.**

**Committee on Finance  
February 28, 2023, 11:30 am  
Conference Room 308 and via Videoconference**

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

The Nature Conservancy (TNC) strongly supports HB 908 HD1, Relating to the Land Conservation Fund, which increases the amount of conveyance tax to be deposited into the Land Conservation Fund to \$9.8 million from the current \$5.1 million.

The Land Conservation Fund supports the Legacy Land Conservation Program, 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 for our islands and habitat for threatened and endangered plant and animal species. Protection and management also reduces runoff, drought, and wildfires that directly impact communities and our ecosystems. Increasing the cap on the Land Conservation Fund will support much needed land protection efforts as Hawai'i battles these impact of climate change.

As real estate prices rise, increasing the cap on the Land Conservation Fund will help meet the demand for and cost of acquiring land for public and ecological benefit. Under the current cap, the Legacy Land Conservation Program regularly is unable to meet all the need. Additionally, the Land Conservation Fund provides vital matching funds necessary to access federal money under the Land and Water Conservation Fund, which provides \$900 million annually for land conservation programs nationally.

Mahalo for your support of Hawai'i's natural resources and the opportunity to provide testimony in support of HB 908 HD1.

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*The Nature Conservancy of Hawai'i and Palmyra is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 40,000 acres in 13 nature preserves and work in over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands. We forge partnerships with government, private parties, and communities to protect forests and coral reefs for their ecological values and for the many benefits they provide to people.*

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**HB-908-HD-1**

Submitted on: 2/27/2023 9:14:39 AM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kanoë Wilson	Legacy Land Commission	Support	Written Testimony Only

Comments:

Aloha, members of the House Finance Committee,

My name is Kanoë Wilson. I serve on the Legacy Land Commission and submit testimony to support HB908. As a commissioner serving in my second term, I have seen the good this Land Conservation Fund has done for the State of Hawai‘i. It has protected some of our state's most pristine coastlines, watershed areas, and special and unique cultural and natural resources. I ask that you please consider this unique opportunity to leave a legacy for future generations to increase the fund so that we can continue to protect Hawai‘i’s unique landscape into the future.

Mahalo for your consideration,

Kanoë Wilson

**HB-908-HD-1**

Submitted on: 2/27/2023 9:52:17 AM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Beth Thoma Robinson R(B) BIC	Hawaii Life	Support	Written Testimony Only

Comments:

I am writing IN SUPPORT of HB 908.

As Director of Conservation and Legacy Lands for Hawai'i Life Real Estate Brokers, I strongly support HB 908 and its objective of increasing the funds deposited to the Land Conservation Fund from conveyance tax revenues.

The Land Conservation Fund has played a crucial role in acquiring and protecting wahi pana across Hawai'i. These transactions are usually required to be conducted at market value per appraisal. As real estate prices have skyrocketed over the past three years, so have conveyance taxes. And so have the appraised values and therefore the costs of protecting these critical lands. Raising the cap go part of the way towards reducing the gap between funds available and funds needed for the program.

Thank you for your consideration

Beth Thoma Robinson R(B) BIC

Director, Conservation and Legacy Lands

Hawai'i Life



# HAWAI'I LAND TRUST

House Committee on Finance

Date: February 28, 2023  
Time: 11:30 a.m.  
Place: Conference Room 308

**Re: SUPPORT – HB 908, HD1, Relating to the Land Conservation Fund**

Aloha e Luna Ho'omalua Yamashita, Hope Luna Ho'omalua Kitagawa, a me nā Lālā o ke Kōmike.

Hawai'i Land Trust SUPPORTS HB 908, HD1, which would increase the amount of conveyance tax to be deposited into the Land Conservation Fund to \$9.8M.

I ola ka 'āina, i ola kākou nei. Healthy lands support a thriving community. Unfortunately, much of Hawai'i's critical natural and cultural ecosystems face existential challenges. Adequate funding is essential to protect these resources and, thereby, elevate community wellbeing.

Due to a lack of funding, Hawai'i Land Trust and other land conservation organizations regularly turn away projects that could otherwise be secured as perpetual, community-serving assets. We support increasing the Land Conservation Fund's allocation so that we and other organizations may better serve Hawai'i and its people.

We also recognize that the impact of a fixed allocation amount to the Fund varies depending on current market conditions. While a larger allocation is helpful at this time to account for elevated property values, we encourage the legislature to explore ways to ensure the Fund is equally impactful regardless of short-term economic variability.

Mahalo for this opportunity to testify,

**'Olu Campbell**  
President and Chief Executive Officer

**Lisa Grove**  
Chair, Board of Directors



February 28, 2023

**The Honorable Kyle T. Yamashita, Chair**

House Committee on Finance

State Capitol, Conference Room 308 & Videoconference

**RE: House Bill 908, HD1, Relating to the Land Conservation Fund**

**HEARING: Thursday, February 28, 2023, at 11:30 a.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 Hawai'i and its over 11,000 members. HAR provides **comments** on House Bill 908, HD1, which amends the amount of conveyance tax to be deposited into the land conservation fund. Effective 6/30/3000.

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. With inflation hitting a 40-year high and rising interest rates, Hawaii's real estate market slowed with a 22.64% decrease in sales from the previous year for single-family homes and 20.06% decrease for condominiums.<sup>1</sup>

As such, the problem linking funding to the Conveyance Tax is that when the real estate market is down, there are not enough funds to pay for the programs and the special funds it covers. The Conveyance Tax is often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the program's needs. This becomes a cyclical issue, and unreliable in forecasting for these program's needs.

Finally, while the Land Conservation Fund is valuable, it should be noted that it can request appropriations and funds through the regular budgetary process, which would be a more reliable source of funds for the aforementioned reasons.

Thank you for your consideration of our comments. Mahalo for the opportunity to testify.

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<sup>1</sup> Hawai'i REALTORS®. (2022). *Statewide Housing Data*. <https://www.hawaiiirealtors.com/wp-content/uploads/2023/01/2022-Annual-Statewide-Statistics-Report.pdf>

**HB-908-HD-1**

Submitted on: 2/27/2023 4:48:23 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Thorne Abbott	Coastal Planners, LLC	Support	Written Testimony Only

Comments:

I strongly support this common sense, market based program to compensate willing landowners who want to protect ecologically, culturally unique lands for Hawaii's future. Please support and pass this bill. Mahalo nui loa!

**HB-908-HD-1**

Submitted on: 2/25/2023 4:30:17 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB908 HD1.

**HB-908-HD-1**

Submitted on: 2/26/2023 12:06:59 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Waipakawiwoole Parker	Kupa?aina o Kuli?ou?ou	Support	Written Testimony Only

Comments:

I support HB 908 HD1 to help conserve land in Hawaii. Please pass this.

Mahalo

**HB-908-HD-1**

Submitted on: 2/26/2023 3:00:08 PM

Testimony for FIN on 2/28/2023 11:30:00 AM

Submitted By	Organization	Testifier Position	Testify
C. Kauai Lucas	Individual	Support	Written Testimony Only

Comments:

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members

The wisdom originally demonstrated in enacting the Legacy Land Conservation Commission program funded by straight up 10 % of conveyance tax revenue has been suppressed through a series of ever-lower caps: **the fund is now at an all-time low of \$5.1million per year.**

Since 2019 I've had the privilege of serving as a Commissioner on the LLCC. **Few programs can claim the collateral benefits to communities and natural resources across Hawai'i, dollar-for-dollar.** My claim of value comes in part from witnessing the power an award can have on a community, as a board member of an awardee, the Maunalua Fishpond Heritage Center. It also stems from the rigorous application and vetting process I participate in as Commissioner. We have just finished our process of application reviews, site visits, hearing testimony from applicants and the public, and commission decision making for our 2023 award recommendations to BLNR.

It was intensely frustrating to look out from a Molokai hillside, across lands devastated by deer, pigs, and goats. The nearshore makai waters, were silt-swollen and red, smothering reefs. We had traveled east on Kamehameha Hwy to the site, past piles of uprooted trees, fallen branches, flood-washed rocks, debris, and trash bulldozed by the County to the roadside to restore access on this critical transportation artery after a recent storm. **The damage is a direct result of derelict land stewardship.**

The collateral benefits to our communities may not be obvious. This program directly benefits 10s of thousands of Hawai'i's school children, who participate in the programs run by awardees. Each of the near 50 awardees contributes not only to creating areas of managed natural and cultural resource care, but ties committed individuals and groups to exercise educational outreach and protect managed public access. **Locals and tourists alike passively benefit from the dedicated stewardship of sensitive ecosystems.** Many community members serve without compensation, or minimal remuneration. **This is a huge saving to the state.**

Another proposed bill, **HB1211HD1 would restore the original, carefully considered funding amount. This would be the most preferred action.** However, as of this writing FIN has not scheduled a hearing for it.

Although less effective, **by raising the funding cap to \$9.8 million from \$5.1 million HB908 HD1 would at least restore more effectiveness** to a program hard hit by stripped funding, record-setting real estate price increases, and increased program costs.

**Please pass HB908 HD1**

me ka pono,

Kaui Lucas

**HB-908-HD-1**

Submitted on: 2/27/2023 7:28:58 AM

Testimony for FIN on 2/28/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Rick Warshauer	Individual	Support	Written Testimony Only

Comments:

Testimony in Support of HB 908 HD1, FIN Comm. Hearing FEB 28, 2023, 11:30AM

Representatives, my name is Rick Warshauer and I strongly support passage of HB 908 HD1, which increases the monetary cap on the amount of conveyance tax revenue deposited into the Land Conservation Fund. This fund has enabled purchase of special lands and wahi pana that Hawaii citizens have nominated for permanent protection. Increasing the cap on revenue eligible to enter the Land Conservation Fund will help keep pace with the rapidly elevating cost of land in Hawaii. Mahalo

*Lynn Britton*  
*P.O. Box 2241, Wailuku, HI 96793; blb@maui.net*

February 27, 2023

The Honorable Kyle T. Yamashita  
Chair, House Finance Committee

**RE: House Bill 908 HD1 to Increase Conveyance Tax Revenues**

Aloha Chair Yamashita and Members,

Please support HB908 HD1 to increase the amount of conveyance tax revenue deposited into the Land Conservation Fund. This will strengthen the buying power of the State's Legacy Land Conservation program by lifting the existing cap on conveyance tax deposits from \$5.1 million (a historic low) to \$9.8 million.

Property values have increased exponentially across Maui and the state. Buying power has decreased accordingly. It is vital that we preserve what is left in open space lands with scenic views, environmental impact and cultural significance for the benefit of Hawaii residents and visitors.

The state Legacy Lands Commission serves an important role in reviewing applications to preserve these precious lands. They are hampered by not having sufficient resources to compensate landowners to encourage their participation in preservation efforts.

Please also support [House Bill 1211 HD1](#) which removes the monetary cap on the amount of conveyance tax revenue deposited into the Land Conservation Fund and reinstates the original formula established by the 2005 legislature (10% of conveyance tax revenue, uncapped).

Mahalo,

*Lynn Britton*  
Lynn Britton  
Co-Founder and Past President, Ma'alaia Village Association