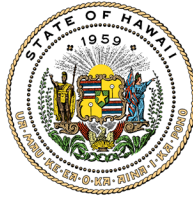


JOSH GREEN, M.D.
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FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
RYAN K.P. KANAKA'OLE
Acting Chairperson**

**Before the House Committee on
WATER & LAND**

**Tuesday, March 24, 2026
9:00 AM
State Capitol, Conference Room 411**

**In consideration of
SENATE BILL 2596, SENATE DRAFT 1
RELATING TO GOVERNMENT LEASES**

Senate Bill 2596, Senate Draft 1 proposes to require that real property leases between state government entities cost no more than \$1 per year and exempts leases in which the real property subject to the lease is being used by a department to meet a core responsibility of that department. **The Department of Land and Natural Resources (Department) offers the following comments.**

While the Department normally processes dispositions to other state entities either via set aside or at gratis rent, there are certain instances in which there are public lands located in prime, commercial areas that could be considered as valuable income generating properties. In those cases, the Department would only be willing to lease such properties at gratis rent or process a set aside in those instances in which another state entity was to propose a use that would generate income and contribute revenues to the Special Land and Development Fund (SLDF). In most cases, this would require the agency to sublease.

The Committee on Ways and Means opined that "real property leases between state agencies should not be for profit." The Department notes that the Legislature and the Board of Land and Natural Resources (Board) determined that the Department should use a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands and programs in order to properly perform its mission.

Annual lease revenues currently support the SLDF, with revenues coming primarily from leases for commercial, industrial, resort, geothermal and other renewable energy projects. SLDF revenues collected by the Department's Land Division cover the entire annual operating budget for the Land Division, the Department's Office of Conservation and Coastal Lands, and its Dam Safety and Mineral Resources Programs. These revenues fund over 80 Department staff positions, including 5 positions within the Commission on Water Resource Management, and

provide funding support to the Division of State Parks and various resource protection programs administered by the Division of Forestry and Wildlife such as the protection of threatened and endangered species, removal of invasive species, wildland firefighting, and lifeguard services.

The SLDF is a critical and increasingly important funding source for various divisions responsible for emergency response to natural catastrophes such as fire, rockfall, flood or earthquake and hazard investigation and mitigation. The SLDF also is critical for staff support of various programs and funding conservation projects on all State lands. It has also become an important source of state match for federally funded endangered species and invasive species initiatives that otherwise would not go forward. We also understand that the SLDF is now securitized to assure the State can meet its debt service obligations to bondholders for the demolition of Uncle Billy's in Hilo which is approximately \$14 million. Any adverse impacts to the revenue stream that supports the SLDF could also affect current and future capital improvement projects that have been identified as priority projects for the Department and the State.

Prohibiting the lessee from subleasing the real property could limit the Department's flexibility to generate revenues for the SLDF. Therefore, the Department respectfully requests that the measure be amended as follows:

Page 1, line 9:

(2) The lessee shall not sublease the real property.

(3) Real property that generates revenues for the special land and development fund as specified in section 171-19 shall be excluded from this section, provided that such leases shall still be subject to board approval.

Mahalo for the opportunity to comment on this measure.



‘ŌNAEHANA KULANUI O HAWAI‘I

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Water and Land
March 24, 2026 at 9:00 a.m.

By

Luis P. Salaveria

Vice President for Budget and Finance/Chief Financial Officer

SB 2596 SD1 – RELATING TO GOVERNMENT LEASES

Chair Hashem, Vice Chair Morikawa, and Members of the Committee:

Thank you for the opportunity to provide comments on SB 2596 SD1, which requires that real property leases between state government entities cost no more than \$1 per year. The University of Hawai'i (University) offers the following comments.

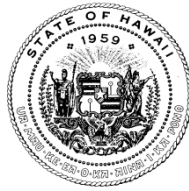
SB 2596 SD1 would amend Title 12, Chapter 171 of the Hawai'i Revised Statutes regarding the management of public lands by the State of Hawai'i's Board of Land and Natural Resources (BLNR). While the University appreciates the efficiencies sought by restricting government-to-government leases to no more than \$1 per year, SB 2596 SD1 also includes language that the "lessee's use of the real property shall align with the lessor's mission" and "lessee shall not sublease the real property". SB 2596 SD1 includes additional language that a lease shall be exempt from this section if the real property subject to the lease is being used by a department to meet a core responsibility of that department.

As previously shared, the University has a number of on-campus and off-campus properties throughout the State that are leased from BLNR and other State entities. For these lands, the University, as the lessee, has previously entered into subleases and would consider entering into future subleases when opportunities that provide educational and research value important to the University, as the State's public university system, become available. In addition, prohibiting the University from subleasing the subject lands would limit the University's (and other State agencies') ability to generate potential revenues that would help to offset operational costs otherwise borne by the University and the State general fund. The BLNR, as the lessor, currently has approval rights over subleases under Section 171-36, along with the right to review and approve the rental amounts to be paid.

The proposed language in SB 2596 SD1 addresses the University's previous comments as its on-campus and off-campus properties leased from BLNR and other State entities are being utilized to serve the University's mission, and therefore these leases are exempt from this section.

Thank you for the opportunity to provide our comments on this measure.

JOSH GREEN, M.D.
GOVERNOR
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ROBIN K. SHISHIDO

Tuesday, March 24, 2026
9:00 a.m.
State Capitol, 411

**SB2596, SD1
RELATING TO GOVERNMENT LEASES**

House Committee on Water & Land

The Department of Transportation (DOT) strongly opposes S.B. No. 2596, SD1, as it introduces significant regulatory changes that could negatively impact the efficient use of state-owned real property and potentially violate federal grant assurances under the Federal Assistance Awards (FASA) compliance framework.

This bill mandates that all real property leases between state entities be charged at no more than \$1 per year, unless an exemption applies under subsection (b). While the intent may be to reduce costs for state agencies, the provision raises concerns regarding compliance with federal funding requirements. Specifically, such a low-cost leasing structure could conflict with the Federal Assistance Awards (FASA) Grant Assurance requirements, which mandate that federal funds be used in accordance with federal regulations and that state entities maintain appropriate oversight and accountability over federally funded projects.

Under FASA, grant recipients must ensure that their use of property and facilities aligns with federal program objectives and that any lease arrangements reflect fair market value or equivalent terms where applicable. Requiring state entities to lease property for \$1 annually without proper justification or alignment with federal grant conditions may constitute a violation of these assurances.

Additionally, the bill's language in subsection (b) exempts certain leases used to meet "core responsibilities" of departments, but this exception lacks clarity and specificity. Without clear definitions or guidelines, this exemption could lead to inconsistent application across state agencies and create potential legal vulnerabilities when federal auditors review grant compliance.

The Department of Transportation further notes that the proposed amendment to §171-101 (as added by this bill) does not account for the complexities involved in managing transportation infrastructure and related facilities, many of which require substantial investment and ongoing maintenance. A blanket cap on lease rates could discourage necessary capital improvements or limit the ability of state agencies to properly manage and allocate resources for public transportation systems and infrastructure projects.

Thank you for the opportunity to testify in opposition of this bill.