

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR  
  
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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEES ON WATER & LAND AND HOUSING  
ON  
HOUSE BILL NO. 58

**February 9, 2021**  
**9:15 a.m.**  
**Via Videoconference**

RELATING TO STATE FUNDS

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 58.

H.B. No. 58 temporarily provides that, for FYs 22 and 23, all taxes collected pursuant to Section 247-7, HRS, be deposited to the credit of the general fund, provided that taxes collected pursuant to this section be expended to pay the principal and interest of general obligation (G.O.) bonds pursuant to Section 39-12, HRS; authorizes the Director of Finance to issue G.O. bonds in the same fiscal years for deposit into the Land Conservation Fund (LCF) and Rental Housing Revolving Fund (RHRF); and appropriates the same amount out of each fund to be expended by their respective parent agencies.

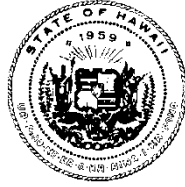
This measure is similar to two Administration Proposals introduced this session, Senate Bill (S.B.) No. 1092 and H.B. No. 938. Both S.B. No. 1092 and H.B. No. 938 would temporarily suspend disposition of the conveyance tax to the LCF and RHRF for FY 2021-23 to the credit of the general fund as provided in Part 1 of H.B. No. 58.

B&F notes that the intent of Parts I and II of H.B. No. 58, which authorizes the issuance of G.O. bonds for deposit into the LCF and RHRF to offset the loss of revenue to these funds from suspension of the conveyance tax, are addressed in the Executive Budget submitted for FB 2021-23.

Further, B&F notes our preference for the language contained in the Administration's proposed S.B. No. 1092 and H.B. No. 938 which do not limit the use of taxes collected and deposited into the general fund pursuant to Section 247-7, HRS.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
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FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**DENISE ISERI-MATSUBARA**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON WATER & LAND**  
**HOUSE COMMITTEE ON HOUSING**

February 9, 2021 at 9:15 a.m.  
State Capitol, Room 430

In consideration of  
**H.B. 58**  
**RELATING TO STATE FUNDS.**

The HHFDC supports H.B. 58, which suspends the Rental Housing Revolving Fund's dedicated funding from conveyances taxes for the Fiscal Biennium 2021 to 2023, and replaces it with appropriations of General Obligation Bond funds given the drop in tax revenues in light of the pandemic that has left the State with a massive budget shortfall.

We would like to note that the Executive Biennium Budget includes a request for a General Obligation Bond appropriation of \$38,000,000 in both FY2021-2022 and FY2022-2023 for the Rental Housing Revolving Fund to replace conveyance tax funds. This appropriation is needed to continue development of affordable rental housing in light of the dire need statewide.

Thank you for the opportunity to testify.

**HB-58**

Submitted on: 2/7/2021 9:53:29 PM

Testimony for WAL on 2/9/2021 9:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Penn	DLNR	Comments	No

Comments:

I would like to provide comments via Zoom.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Temporary suspension of earmarks

BILL NUMBER: HB 58

INTRODUCED BY: LUKE, CULLEN, YAMASHITA

EXECUTIVE SUMMARY: Temporarily reallocates conveyance tax revenues for purposes of paying the principal and interest of general obligation bonds. Authorizes the issuance of general obligation bonds to be appropriated into and out of the land conservation fund and rental housing revolving fund.

SYNOPSIS: Amends section 247-7, HRS, to provide that between 7/1/2021 and 6/30/2023, all conveyance taxes shall be deposited into the general fund for the purposes of paying the principal and interest of general obligation bonds.

Authorizes the issuance of general obligation bonds to replenish \$\_\_\_\_\_ of the land conservation fund and \$\_\_\_\_\_ of rental housing revolving fund, the two funds that were the beneficiaries of earmarks on the conveyance tax.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: This bill has many similarities to the Administration measure BUF-26 (21) (SB 1092; HB 938). The Department's stated justification for its bill is that the economic impact of the COVID—19 pandemic on the revenues of the State has been devastating with an estimated decline of \$2.3 billion for fiscal biennium 2019—2021 and necessitates action to preserve the solvency of the state general fund and ensure the continuation of critical government operations.

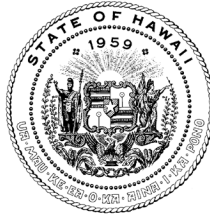
The proposed victims of this action are the Land Division of the Department of Land and Natural Resources and the HHFDC. If, however, the Legislature deems their respective programs worthy, it can compensate. This bill compensates by borrowing money and appropriating a specific sum to both funds. In the current draft of the bill the borrowing amounts are unspecified.

With any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so 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 too little or too much revenue has been diverted from other priorities in the state budget.

This bill proposes to decrease or eliminate existing earmarks, which appears to be a step in the right direction.

Digested 2/5/2021

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



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

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 Committees on  
WATER & LAND  
and  
HOUSING

Tuesday, February 9, 2021  
9:15 AM

State Capitol, Via Videoconference, Conference Room 430

In consideration of  
HOUSE BILL 58  
RELATING TO STATE FUNDS

House Bill 58 proposes that, for the duration of Fiscal Biennium 2021-2023, the Land Conservation Fund would not receive annual revenue of up to \$5.1 million that comes from real estate conveyance taxes (SECTION 1). This measure also proposes to deposit newly borrowed cash into the Land Conservation Fund (SECTIONs 2 and 3) and to appropriate necessary amounts from the Land Conservation Fund for the Department of Land and Natural Resources to expend "for the purposes for which the land conservation fund is established" (SECTION 4). **The Department of Land and Natural Resources (Department) acknowledges that this bill supports our Legacy Land Conservation Program, and offers the following comments and amendments.**

Proposed Appropriations and Biennium Budget Request

The Department appreciates the intent to appropriate necessary amounts from the Fiscal Year (FY) 2022 and FY 2023 Land Conservation Fund for legacy land conservation purposes (SECTION 4 of the proposed measure).

General Obligation Bonds

The Department supports the intended deposit of bond proceeds into the Land Conservation Fund (SECTIONs 2 and 3 of the proposed measure) to replace conveyance tax revenues for land acquisitions under the Legacy Land Conservation Program. In FY 2022, the Department respectfully requests authorization to use bond proceeds to fund Capital Improvement Projects

(CIP) for of priority land acquisitions, as indicated in the Executive Budget CIP request and as otherwise prioritized by the Legacy Land Conservation Program.

#### Administrative Costs and Management Grants

Conveyance tax revenue also covers funds for administrative costs and management grants. *See* Sections 173A-5(h)(3) and 173A-5(h)(4), Hawai'i Revised Statutes, providing that expenditures shall not exceed five per cent of annual fund revenues of the previous year. The Department estimates administrative costs at \$160,000 for each year of the upcoming biennium (based on a five-year average for FY 2016 through FY 2020), and proposes to award management grants at the same level for properties already purchased with Land Conservation Fund financial support. Therefore, in order to safely provide for administrative expenses and management grants totaling \$320,000 per year, the Department respectfully proposes an amendment to SECTION 1 of House Bill 58, as presented in the Amendments section of our testimony, below.

#### Turtle Bay Debt Service Obligations

In 2005, the Legislature authorized real estate conveyance taxes as the primary, permanent source of revenue for supporting the Land Conservation Fund and the Legacy Land Conservation Program (LLCP). In 2015, the Legislature required that the annual operating budget for the LLCP provide \$1,500,000 for debt service payments on the Turtle Bay reimbursable general obligation bonds. Therefore, we respectfully request an amendment to SECTION 1, House Bill 58, that would relieve the Land Conservation Fund of its obligation to pay annual debt service for the Turtle Bay reimbursable general obligation bonds by amending Act 121(2015 Session Laws of Hawaii) to de-authorize the use of moneys from the Land Conservation Fund to reimburse the general fund for Turtle Bay debt service.

#### Amendments

In PART I, SECTION 1, further amend Section 247-7, Hawai'i Revised Statutes, by adding a new subsection (c), to read as follows:

(c) Notwithstanding subsections (a) and (b) and any other law to the contrary, for the period beginning July 1, 2021, through June 30, 2023, of the taxes collected under this chapter each fiscal year, notwithstanding sections 173A-5(h)(3) and 173A-5(h)(4), \$320,000 shall be paid into the land conservation fund established pursuant to section 173A-5 to support administrative costs and management grants for the legacy land conservation program.

Thank you for the opportunity to comment on this measure.