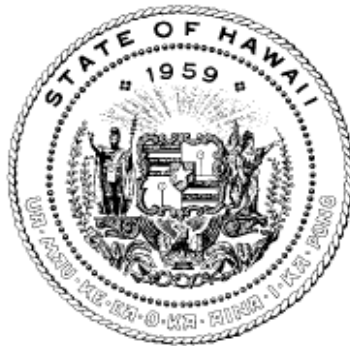


**REPORT TO THE THIRTY THIRD LEGISLATURE
STATE OF HAWAII
2026 REGULAR SESSION**

**RELATING TO THE LAND CONSERVATION FUND
AND
THE LEGACY LAND CONSERVATION PROGRAM**



Prepared by

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

In response to Section 173A-5, Hawaii Revised Statutes

Honolulu, Hawaii

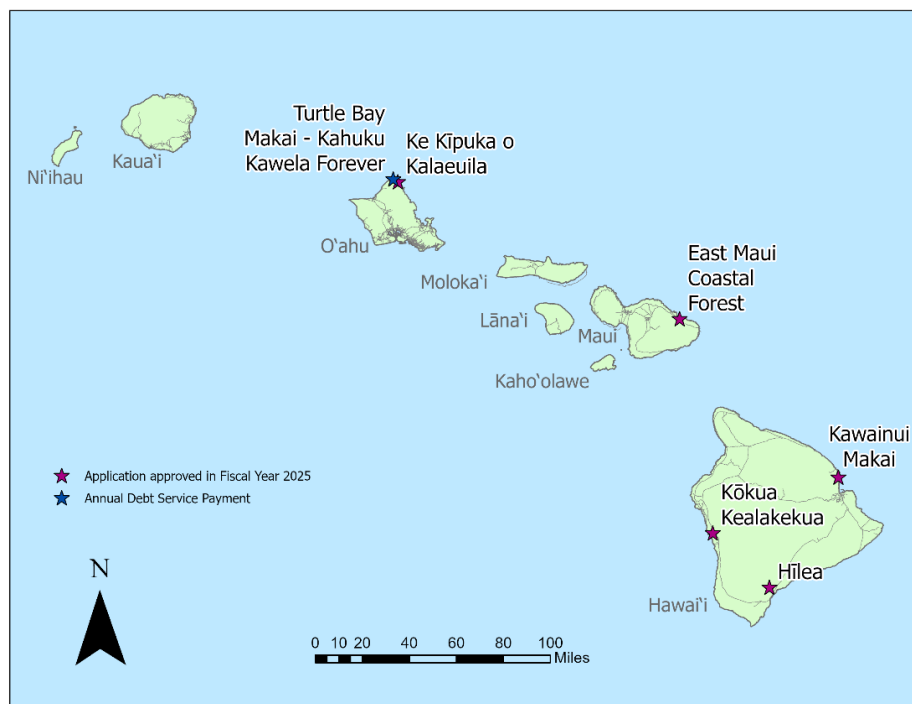
December 2025

RELATING TO THE LAND CONSERVATION FUND AND THE LEGACY LAND CONSERVATION PROGRAM

OVERVIEW

In Fiscal Year 2025, the Legacy Land Conservation Program and its partners worked to preserve, protect, and improve lands valued as resources for the State. Key achievements include five approved grant awards for land acquisition totaling \$7,000,000; contracts issued for five approved grant awards totaling \$200,000 that support the operation, maintenance, and management of properties previously acquired through the Land Conservation Fund; and a recurring payment of \$1.5 million for State debt service obligations at Turtle Bay (District of Ko'olauloa, Island of O'ahu). The map below and related descriptions starting on page four of this report provide additional information about these properties.

Figure 1: Map of Fiscal Year 2025 Conservation Transactions – Legacy Land Conservation Program



Despite strong public support and favorable recommendations from subject matter committees, efforts to increase annual conveyance tax revenue for the Land Conservation Fund (Fund) were not enacted during the 2025 legislative session. As a result, the Fund's annual conveyance tax revenue remains at \$5.1 million, well below the original \$10 million when the fund was established. This low funding level is causing shortages for conservation transactions. Legislative measures needed to restore the Fund's financial stability and boost the purchasing power of the Legacy Land Conservation Program include:

1. Amend Section 247-7(1), Hawaii Revised Statutes, to restore the annual distribution of conveyance tax revenue to the Fund to ten percent of collections, uncapped, as originally legislated in 2005.
2. Amend Section 173A-13, Hawaii Revised Statutes, to lower the annual debt service payments from the Fund to the Turtle Bay Conservation Easement Special Fund. If the current level of annual reimbursements from the Fund (\$1,500,000) stays the same until the bonds are paid off in 2036, a post-amortization surplus of nearly \$15,000,000 will have built up in the Turtle Bay Conservation Easement Special Fund. Reducing payments to an amount that uses the current surplus and allows it to be drawn down will provide additional funding for land acquisition.

PURPOSE

The 2005 Legislature established the Land Conservation Fund to provide a permanent source of funding for land conservation by directing proceeds from the real estate conveyance tax each year for this purpose. See [2005 Hawaii Session Laws Act 156](#), Section 1 at 387. Recognizing that, despite *"the value of Hawaii's natural resources to its economy, culture, and quality of life ... an alarmingly small amount of money is invested each year to protect our natural capital base,"* Act 156 also includes findings that:

- The preservation, protection, and enhancement of the State's land, coastal areas, and natural resources are vital to current and future residents and the state economy.
- [Article XI, Section 1](#) of the Hawaii State Constitution affirms the state's obligation to conserve and protect Hawaii's natural beauty.
- Adequate funding to conserve land for watershed protection, coastal preservation, flood prevention, parks, habitat protection, cultural preservation, agricultural production, and open space and scenic resources is essential to ensure the protection of these lands and resources for future generations.

The Fund's enabling legislation—[Chapter 173A](#), Hawaii Revised Statutes (HRS)—states in subsection 5(h) that the Fund shall be used for:

- (1) the acquisition of interests or rights in land that have value as a resource to the State,
- (2) the payment of debt service on state financial instruments related to the acquisition of land interests or rights that have value as a resource to the State,
- (3) annual administration costs for the Land Conservation Fund, and
- (4) costs associated with the operation, maintenance, and management of lands acquired by the Land Conservation Fund.

Section 173A-2 defines land valuable as a resource to the State as land with natural, environmental, recreational, scenic, cultural, agricultural, or historical significance. It may also include park and trail systems that provide access to such land. Subsection

173A-5(i) and Section 173A-9 create a competitive grant program for land acquisition, available to state agencies, counties, and nonprofit land conservation organizations.

The Legacy Land Conservation Program conducts a comprehensive yearly public process to review, vet, prioritize, and fund grant applications from the Fund, including:

- application review, field visit reports, public testimony, and recommendations provided by the Legacy Land Conservation Commission, which the Legislature established in 2006 (see 2006 Hawaii Session Laws Act 254, Section 1 at 1088-1089);
- consultation with the President of the Senate and the Speaker of the House of Representatives (see subsection 173A-5(i) and Section 173A-9, HRS);
- review, public testimony, and approval provided by the Board of Land and Natural Resources;
- review and recommendation by the Department of Budget and Finance; and
- review and approval by the Governor (see Section 173A-9, HRS).

PROGRAM HISTORY – LEGACY LAND CONSERVATION

The Department of Land and Natural Resources (DLNR) administers and manages the Land Conservation Fund and the Legacy Land Conservation Program (LLCP) according to:

- [Chapter 173A](#), Hawaii Revised Statutes, Acquisition of Resource Value Land;
- [Chapter 13-140](#), Hawaii Administrative Rules, Legacy Land Conservation Program Rules; and
- other state and federal governing authorities, particularly:
 - [Chapter 171](#), HRS (Public Lands, Management and Disposition of);
 - [Chapter 198](#), HRS (Conservation Easements); and
 - rules of a partnering federal land conservation program that would govern a transfer of a permanent conservation easement, see Section 173A-9, HRS.

In 2006, DLNR received approval from the Board of Land and Natural Resources (BLNR) and the Governor to use the Fund for land acquisition, following the conditions set by legislation. See 2005 Hawaii Session Laws Act 156, Section 9. As of June 30, 2025, LLCP and its partners have completed fifty land conservation transactions. An additional twelve transactions are still in progress.

For additional information about the Legacy Land Conservation Program, please visit dlnr.hawaii.gov/ecosystems/llcp, or contact:

Legacy Land Conservation Program
Telephone: (808) 586-0921
Email: legacyland@hawaii.gov

ANNUAL REPORT

An annual report to the Governor and the Legislature shall include:

- (A) A summary of all interests or rights in land acquired during the previous fiscal year.
- (B) A summary of the value that each newly acquired piece of land provides.
- (C) Proposals for future land acquisitions, including a summary of the resource value that the land may possess.
- (D) A financial report for the preceding fiscal year.
- (E) Objectives and budget projections for the following fiscal year.

As recommended by the State Auditor (Report No. 19-01), Part (D) of this year's annual report outlines transfers of funds into and out of a DLNR trust account (see page 16). Each annual report to the Legislature is available upon request and is published online at:

- <https://dlnr.hawaii.gov/reports>, organized by reporting year for the Division of Forestry and Wildlife, under "Legacy Land" and related titles, and
- <https://library.lrb.hawaii.gov/cgi-bin/koha/opac-detail.pl?biblionumber=34813>, organized as a complete series archived by the Legislative Reference Bureau.

(A) and (B) INTERESTS OR RIGHTS IN LAND ACQUIRED DURING THE PRECEDING FISCAL YEAR AND RESOURCE VALUE SUMMARY

During Fiscal Year 2025, the Land Conservation Fund transferred \$1,500,000 to the Turtle Bay Conservation Easement Special Fund as an annual reimbursement for debt service on a state financial instrument related to acquiring interests or rights in land valuable to the State (see [Section 173A-13, Hawaii Revised Statutes](#)). State property interests at Turtle Bay, acquired in 2015, include over 52 acres of land (fee simple) at Kawela Bay—which the State leased back to Turtle Bay resort operators for 65 years—and a perpetual conservation easement covering more than 568 acres, all fronted by approximately five miles of undeveloped shoreline. The Land Conservation Fund has contributed a total of \$15 million toward this effort, with an additional \$16.5 million in payments due over the next eleven years.



Photo Credit – Rafael Bergstrom at <https://www.northshoreland.org/kalaeokaunaoa-kahuku-point/#volunteer-kahuku>

(C) PROPOSALS FOR FUTURE LAND ACQUISITIONS, INCLUDING A SUMMARY OF THE RESOURCE VALUE THAT THE LAND MAY POSSESS

For the Fiscal Year 2025 application cycle, the Legacy Land Conservation Program announced the availability of approximately \$6.7 million in grant funding for the purchase of lands with resource value to the State, known as "resource value lands." LLCP received seven final applications from nonprofit land conservation organizations and state agencies. One applicant subsequently withdrew, leaving six applications requesting a total of \$15,164,950 from the Land Conservation Fund. Following investigation and evaluation—including field visits and public meetings—the Legacy Land Conservation Commission (Commission) recommended full funding for two applications and partial funding for three, totaling \$6,800,000.

Fiscal Year 2025 Land Acquisition Grants - Full Funding
Applicant, Property

1. **North Shore Community Land Trust, Ke Kīpuka o Kalaeuila**
District of Koʻolaupua, Island of Oʻahu
LLCP 2025-01: **\$3,000,000** requested/awarded/encumbered
2. **The Nature Conservancy, Hīlea**
District of Kaʻū, Island of Hawaiʻi
LLCP 2025-02: **\$2,000,000** requested/awarded/encumbered

Fiscal Year 2025 Land Acquisition Grants - Partial Funding
Applicant, Property

3. **Makahalanaloa Fishing Association, Kawainui Makai**
District of South Hilo, Island of Hawaiʻi

LLCP 2025-03: \$4,704,750 requested / **\$1,000,000** awarded/encumbered

4. Ho‘āla Kealakekua Nui, Kōkua Kealakekua

District of South Kona, Island of Hawai‘i

LLCP 2025-04: \$1,000,000 requested / **\$700,000** awarded/encumbered

5. DLNR-Division of Forestry and Wildlife (DOFAW), East Maui Coastal Forest

District of Hāna, Island of Maui

LLCP 2025-05: \$3,310,000 requested / \$100,000 recommended /

\$ 300,000 awarded/encumbered

(DOFAW recommendation approved by BLNR)

DLNR consulted with the Senate President and the Speaker of the House of Representatives regarding the Commission's recommendations under subsection 173A-5(i), HRS. Legislators' written responses had no objections or additional comments on the recommendations. Later, the Board of Land and Natural Resources and Governor Green approved the Commission's recommendations, as modified by the Division of Forestry and Wildlife. DLNR then allocated funding for the five approved grants from the Fiscal Year 2025 budget. Public records of BLNR approval for April 25, 2025 ([Item C-1, Submittal](#), and [Minutes](#), pages 2-3) are available online.

Resource Value Summaries (Future Land Acquisitions)

The map on page 1 of this report shows the location of each property approved for land acquisition grant funding in Fiscal Year 2025.

**Ke Kīpuka o Kalaeuila
District of Ko‘olauloa, Island of O‘ahu (LLCP 2025-01)**



Awardee:	<u>North Shore Community Land Trust</u>	
Partner:	<u>The Trust for Public Land</u>	
Acreage:	170.913	(fee simple + conservation easement)
Tax Map Key Numbers:	(1) 5-6-003:011, :019, :020, :021, :022, :023, :024, :026, :030, :031, :046, and :049	
FY2025 Funding Requested:	\$ 3,000,000	
FY2025 Funding awarded:	\$ 3,000,000	(full award)
Estimated Matching Funds:	\$ 22,059,000	(88% of total project costs)

- City & County of Honolulu ([Clean Water and Natural Lands Fund](#))
- U.S. Department of Defense (Readiness and Environmental Protection Integration)
- U.S. Department of Interior, Fish and Wildlife Service (Recovery Land Acquisition)
- The Trust for Public Land
- North Shore Community Land Trust
- In-kind services

Conservation Easement: City & County of Honolulu



Aerial image of Ke Kīpuka o Kalaeuila (outlined in red)



Currently, about one-third (20,000 acres) of the North Shore is for sale. We know that our food, economy, and way of life depend on voluntary land conservation. The main threat to the many natural, cultural, agricultural, recreational, educational, and scenic values of the Kalaeuila property is land-use and land-cover change. The property is presently listed for sale. The landowners are motivated sellers and have already received offers on the property.

A potential buyer would be a real estate speculator or developer looking to take advantage of a rare opportunity to own half a mile of oceanfront property in an ideal location, adjacent to a resort and golf course. If we do not protect the property through conservation, it is likely to be subdivided and developed into "gentleman estates" and used as a quasi-agricultural, luxury, residential community.

**Hīlea
District of Ka‘ū, Island of Hawai‘i (LLCP 2025-02)**



Awardee:	<u>The Nature Conservancy</u>	
Partner:	<u>Ka ‘Ohana O Honu‘apo</u>	
Acreage:	1,916.058	(fee simple)
Tax Map Key Number:	(3) 9-5-018:001	
FY2025 Funding requested:	\$ 2,000,000	
FY2025 Funding awarded:	\$ 2,000,000	(full award)
Estimated Matching Funds:	\$ 2,548,000	56% of Total Project Costs)

- Private funds
- In-kind services

Conservation Easement: Requirement waived by BLNR

Adjacent to conservation lands managed by The Nature Conservancy and near the Ka‘ū Forest Reserve, this property is valuable for its conservation, watershed protection, and habitat preservation. As the site of the historic heiau Kohaikalani, the property holds significant cultural importance. Ongoing ranching by local families highlights its agricultural value. The distinctive profiles of Makanau, Pakua, and the neighboring Ninole hills create an unmistakable scenic landscape. The parcel also offers current and potential recreational and hunting opportunities, as well as prospects for forest and native landscape restoration. Located mauka of the Punalu‘u and Kāwā coastal areas, it plays a key role in preserving the viewscape of these regions while providing freshwater springs and estuaries, which are vital features of the area.

**Kawainui Makai
District of South Hilo, Island of Hawai'i (LLCP 2025-03)**



Awardee:	<u>Makahanaloa Fishing Association</u>	
Acreage:	81.19	(fee simple + conservation easement)
Tax Map Key Numbers:	(3) 2-7-010:027 and (3) 2-7-011:001	
FY2025 Funding requested:	\$4,704,750	
FY2025 Funding awarded:	\$1,000,000	(partial award)
Estimated Matching Funds:	\$1,646,250	(26% of Total Project Costs)

- County of Hawai'i ([Public Access, Open Space, and Natural Resources Preservation Fund](#))
- Landowner

Conservation Easement: County of Hawai'i

Due to disturbances from agricultural and residential activities in coastal areas, streams and gulches often serve as the last refuge for remaining native fauna and flora in the Hawaiian lowlands. The current owners, who have held the property since 1989, have prioritized upland forestry without restricting public access or developing the stream areas. However, this vital freshwater ecosystem and significant agricultural land are actively being marketed to buyers. They are at risk of development, with phrases like "luxury home" and "private beach" being used to promote them. The 80-acre forestry operation is marketed as two 40-acre lots that could be divided into four 20-acre agricultural lots. Such marketing strategies and the diminished emphasis on sustainable forestry increase the risk of poor land and watershed management, potentially making access to streams and historic sites difficult for those wishing to gather, fish, study, care for, or enjoy these resources. Public protection of this land ensures the preservation of Kawainui's endangered, threatened, and at-risk species through careful resource management, while promoting ecosystem health and community well-being through traditional cultural practices. The North Hilo/Hāmākua community is beginning to resist the growing efforts by private landowners to restrict access to treasured community resources in the remaining intact and ecologically significant watersheds. In this effort,

the Makahanaloa Fishing Association supports an active, subsistence-lifestyle community of volunteers dedicated to maintaining healthy ecosystems through time-honored cultural traditions proven to benefit both the land and the people. They aim to collaborate with the State and County to protect our cherished natural resources and uphold Hawaii's way of life.

**Kōkua Kealakekua
District of South Kona, Island of Hawai'i (LLCP 2025-04)**



Awardee:	<u>Ho'āla Kealakekua Nui</u>	
Partner:	<u>The Trust for Public Land</u>	
Acreage:	1.26	(fee simple + conservation easement)
Tax Map Key Numbers:	(3) 8-1-009:007 and :008	
FY2025 Funding requested:	\$ 1,000,000	
FY2025 Funding awarded:	\$ 700,000	(partial award)
Estimated Matching Funds:	\$ 434,000	(30% of Total Project Costs)

- County of Hawai'i ([Public Access, Open Space, and Natural Resources Preservation Fund](#))
- Applicant
- The Trust for Public Land

Conservation Easement: County of Hawai'i

Kealahou Bay faces serious challenges due to unmanaged tourism, overuse, desecration, and habitat loss. The property is listed for sale and actively marketed. Landowners are motivated sellers and have received offers. A likely buyer would be a real estate speculator seeking to develop commercial or luxury residential projects in this prime location at the intersection of Mamalahou Highway, Mamalahou Bypass Road, and Napo'opo'o Road. If this property is lost to speculators or developers, the community would miss a rare chance to create a kīpuka to implement the Community Action Plan goals and to support community-led stewardship and pono management of Ka'awaloa Trail and the cherished cultural landscape of Kapukapu. The land is overgrown with invasive plants, overtaking the few remaining canoe plants.



East Maui Coastal Forest District of Hāna, Island of Maui (LLCP 2025-05)



Awardee:

Acreage:

Tax Map Key Numbers:

FY2025 Funding requested:

FY2025 Funding awarded:

Estimated Matching Funds:

DLNR-Division of Forestry and Wildlife

542 (fee simple)

(2) 1-2-001:001 (por), :027, :045; (2) 1-2-003:002, :018

\$ 3,310,000

\$ 300,000

\$ 10,000,000

(partial award)

(75% of Total Project Costs)

- US Department of Agriculture (Forest Service Forest Legacy Program)
- Other State and Federal funds

Conservation Easement:

Requirement waived by BLNR

The East Maui Coastal Forest is threatened by sale and development, which would block public access and threaten the forested cover on the parcels. The northeast coast of Maui has the fewest shoreline access points on the island, with numerous locations restricted by private ownership or development. The landowner, a commercial real estate company, supports a state purchase for conservation but has expressed a need to sell on a short timeline.



The landowner's current objective is to sell non-core assets, including agricultural and conservation-zoned forest land. Most of the property is zoned for agriculture, allowing for subdivision into roughly 11 lots ranging from 2 to 40 acres, with two dwellings/lot allowed. The scenic beauty of northeast Maui has created extremely high demand for properties, and these properties are under imminent threat of sale, subdivision, and development.

GRANT ADMINISTRATION – LAND ACQUISITION

The DLNR Division of Forestry and Wildlife—with assistance from the DLNR Land Division, the DLNR Administrative Services Office, and the Department of the Attorney General (ATG)—manages approved grant awards in accordance with numerous legal requirements and program procedures. By the end of Fiscal Year 2025, grant awards for twelve properties remained open, including:

- Two land acquisitions by a state agency (fee simple), and
- Ten land acquisitions by nonprofit land conservation organizations (eight fee-simple and two conservation easements).

DLNR expects that awardees can complete at least two of these open grants during the next fiscal year, including one State land acquisition and one nonprofit land acquisition. A land acquisition grant to a state agency remains open until the agency grantee finishes or discontinues the conservation transaction. To complete a state agency transaction, the agency grantee works with DLNR Land Division staff to conduct the buyer's due diligence per "Standard BLNR Acquisition Procedures," subject to final approvals from the ATG and the Board of Land and Natural Resources. DLNR manages a grant to a county or a nonprofit land conservation organization through a contractual agreement with an initial two-year performance period, which DLNR may extend for additional one-year periods. To complete a county/nonprofit land acquisition, the grantee works with DLNR-DOFAW staff to conduct the buyer's due diligence according to the "Checklist for Legacy Land Conservation Program Projects" (which is part of the grantee's contract with the State), subject to final approvals from the BLNR Chairperson, the ATG, and the DLNR-DOFAW Administrator.

For land acquisition grants, Chapter 173A, Hawaii Revised Statutes (HRS), establishes requirements for:

- A conservation easement, agricultural easement, deed restriction, or covenant that shall run with the land and be recorded with the land to ensure the long-term protection of land that has value as a resource to the State and to preserve the interests of the State (Section 173A-4);
- a county or a nonprofit grantee to contribute matching funds of at least twenty-five percent of the total project costs (Section 173A-5);
- BLNR approval of a sale, lease, or other disposition of the acquired property (Section 173A-9);
- sharing the proceeds from a sale, lease, or other disposal of the acquired property with the State (Section 173A-10).

Chapter 13-140, Hawaii Administrative Rules, authorizes DLNR to oversee the status of resource values protected under a grant agreement by requiring a grantee to submit documentation and by conducting site visits to inspect the condition of the property and resources (Sections 140-32 and 140-33, respectively). Sections 140-55 and 140-56 provide remedies for a breach of a grant agreement or a deed restriction, respectively, and Section 140-57 outlines BLNR's enforcement authority (see *also* Section 173-11, HRS, General Powers).

DISCONTINUED GRANTS AND OTHER APPROPRIATIONS

- LLCP 2017-03, Ke'anae Lo'i (discontinued)
Hawaiian Islands Land Trust, Awardee
 - See [Report to the 2014 Legislature](#), pages 3-4

Before the 2025 annual review of acquisitions pending for five years or more (see the section below), Hawaiian Islands Land Trust withdrew its \$210,000 grant to acquire a conservation easement over historic taro lands at Ke'anae, Maui —the oldest active grant in the Legacy Land Conservation Program portfolio. The withdrawal of this grant resulted in the return of the awarded funds to the Land Conservation Fund.

ANNUAL REVIEW OF ACQUISITIONS PENDING FOR OVER FIVE YEARS

In response to a recommendation from the State Office of the Auditor (Report No. 19-01), the Legacy Land Conservation Program initiated an annual review of grants approved by the Board of Land and Natural Resources more than 5 years ago. On June 27, 2025, under agenda item C-1 ([Submittal](#) and [Minutes](#), page 1), BLNR considered for the second time a grant awarded to the Department of Land and Natural Resources Division of Forestry and Wildlife for LLCP 2019-04, Kāne'ohe Pali to Lo'i at Ko'olaupoko, O'ahu (see [Report to the 2020 Legislature](#), page 12). The Department's acquisition team reported that due diligence was underway, including a federal appraisal and Phase 1 Environmental Site Assessment. Board approval for the acquisition is targeted for August 2025, with closing expected by September 20, 2025. The U.S. Forest Service and the U.S. Navy are also providing funding for the purchase.

The Legacy Land Conservation Program indicated its belief that the Awardee, with support from partners, is working diligently to complete the transaction and will likely do so within a reasonable timeframe. BLNR deferred action on the grant award until the 2026 annual review.



Kāneʻohe Pali to Loʻi - Photo Credit: Zak Noyle

(D) FINANCIAL REPORT FOR THE PRECEDING FISCAL YEAR

Estimated Status of the Land Conservation Fund for Fiscal Year 2025

A. Beginning cash balance (FY2017+FY2018+FY2019+FY2022+FY2023+FY2024)	\$	19,315,860
FY2025 Revenue from:		
• Conveyance Tax	\$	5,100,000
• State Investment Pool	\$	574,476
• Revenue Sharing (for dispositions of conserved properties)	\$	21,226
• Return of Unspent State Agency Grant Funds from DLNR trust account	\$	0
B. Total FY2025 Revenue	\$	5,695,703
FY2025 Expenditures for:		
• Program Operations (Prior year land acquisition grants)	\$	0
• Program Operations (FY25 Turtle Bay debt service)	\$	(1,500,000)
• Program Operations (FY25 Payroll plus administrative costs)	\$	(279,564)
C. Total Expenditures in FY2025	\$	(3,631,599)
D. Outstanding encumbrances from prior years	\$	(10,209,542)
E. FY2025 outstanding encumbrances at year end	\$	(6,750,492)
F. Ending Cash Balance (A+B+C)	\$	21,379,964
G. Unencumbered Cash Balance (F+E+D)	\$	4,419,930

In Fiscal Year 2025 (FY2025), the Land Conservation Fund's financial condition remained precarious due to the reduced cap on yearly revenues allocated from collections of the real property conveyance tax (see subsection 247-7(1), HRS). Conveyance tax distributions hit the Fund's \$5.1 million cap (reduced from \$6.8 million by the 2020 Legislature, and from \$10 million in the enabling legislation) in December 2024, the sixth month of the fiscal year, representing only 5.3 percent of total FY2025 conveyance tax collections, down from the program's original allocation of 10%. The

Fund also continues to be affected by the 2021 Legislature's transfer of \$15 million from the Fund to the general fund.

As shown in the table above, FY2025 external revenues for the Fund totaled \$5,695,703, including \$5,100,000 from conveyance tax; \$574,476 from participation in the State investment pool; and \$21,226 from revenue sharing for land previously acquired with grants from the Fund (lands also known as "conserved properties"). Expenditures and encumbrances from the FY2025 Land Conservation Fund appropriation totaled \$8,823,905 (see table below). The Department of Land and Natural Resources encumbered and spent \$8,500,000 of this total on grant awards and debt service obligations for acquiring interests or rights in lands valuable to the State.

Under subsection 173A-5(h), HRS, paragraph (3), annual administration costs for the Land Conservation Fund may not exceed five percent of the previous year's annual conveyance tax revenues (a \$255,000 cap for FY2025). In FY2025, DLNR spent and encumbered \$26,185 for administration costs and \$297,720 for personnel costs (2.0 FTE). Administration costs covered training and travel for the 2024 and 2025 National Land Conservation Conference (three staff); staff travel for investigating grant applications and monitoring conserved properties (including Legacy Land Conservation Commission volunteers); program support services; subscription fees for monitoring and data management software and professional organization memberships; and operating supplies and equipment.

FY2025 Grant awards (total expenditures and encumbrances)	
Land acquisition	7,000,000
Operation, Maintenance, and Management	0
FY2025 Debt service payment	1,500,000
FY2025 Personnel costs	
Salaries, benefits, assessments	297,720
FY2025 Administrative expenses¹	
Commission and staff training and travel	17,036
Services, fees, and supplies	9,149
Total FY2025 funds expended/encumbered	8,823,905

¹Department efforts to implement an audit finding about overpayment of administrative fees resulted in a memo from the Director of Finance to the Chairperson, dated July 26, 2019, noting that "Pursuant to Comptroller's Memorandum No. 97-26, entitled "Accounting for Revenue Refunds and Expenditure Reimbursements," expenditure for prior-year reimbursements may be reduced against current expenditures" and approving "the utilization of \$698,652 for CSA [Central Services Assessment] for the LCF [Land Conservation Fund] to be applied towards administrative expense assessment, as necessary, until that account is depleted." Pursuant to this approval, the Department did not expend FY2025 funds for Land Conservation Fund administrative expense assessment.

Fiscal Year 2025 transactions that transferred funds into and out of the Department of Land and Natural Resources Trust Account (T-907)

During Fiscal Year 2025, DLNR transferred \$300,000 from the Land Conservation Fund into T-907 for a DLNR land acquisition at East Maui Coastal Forest, District of Hāna, Island of Maui (see this report page 11). DLNR is processing approximately \$55,083 for transfer out of T-907 into the Land Conservation Fund (unused funds for a completed grant award to DLNR for LLCP 2019-01, Pia Valley Natural Area Reserve, District of Honolulu, Island of O'ahu).

(E) OBJECTIVES AND BUDGET PROJECTIONS FOR THE FOLLOWING FISCAL YEAR

Objectives

The top priority for the Fiscal Year 2026 Legacy Land Conservation Program budget is to restore revenue to the Land Conservation Fund, thereby enhancing LLCP's purchasing power as land prices and market competition continue to rise. Although the 2025 legislature authorized a spending limit of \$9,034,784 for FY2026, the annual revenue from the conveyance tax remains capped at \$5.1 million. As shown in the table below, during the 2025 legislative session, five measures aimed at potentially increasing Land Conservation Fund revenue did not pass from the originating chamber, and one measure was not heard in the receiving chamber after crossing over.

Legislative measures introduced for increasing Land Conservation Fund revenue,
2025

MEASURE	FATE
HB85	House Finance Committee did not hold a hearing
HB377	House Housing Committee did not hold a hearing
HB1208	House Housing Committee did not hold a hearing
HB1410 HD2	Senate subject matter committees did not hold a hearing (HOU/WTL)
SB469	Senate subject matter committees did not hold a hearing (HHS/HOU/WTL)
SB1218	Senate subject matter committees did not hold a hearing (HHS/HOU/WTL)

Key LLCP objectives for FY2026 are:

- (1) Complete two prior-year grants for state agency land acquisition: \$700,000 for over 951 acres at Kāne'ohe Pali to Lo'i, Ko'olaupoko, O'ahu (LLCP 2019-04) and \$300,000 for 542 acres at East Maui Coastal Forest, Hāna, Maui (LLCP 2025-05).
- (2) Provide support for completing ten prior-year grants to nonprofit land conservation organizations for land acquisitions (\$16.75 million for 2,397 acres, total).
- (3) Coordinate the awarding, encumbrance, and expenditure of FY2026 grant funds for the acquisition of lands (approximately \$6.7 million available) and for

the operation, management, and maintenance of lands acquired through the Land Conservation Fund (up to \$255,000 total).

- (4) Coordinate the solicitation of grant applications for Fiscal Year 2027 grant awards, which have approximately \$6.7 million available.

Budget Projections

The State Department of Taxation reports that Fiscal Year 2025 collections of conveyance tax exceeded \$96 million, which would have provided \$9.6 million to the Land Conservation Fund (10% of total collections) if the statutory revenue cap of \$5.1 million had been lifted. Projections from the State Council on Revenues (September 4, 2025) indicate that annual conveyance tax collections from Fiscal Years 2026-2032 could range from 7.82% higher than Fiscal Year 2025 (in Fiscal Year 2029) to 12.59% higher (in Fiscal Year 2027), with an average yearly increase of 11.6%.

However, without legislation to lift the \$5.1 million cap on Land Conservation Fund revenue, only \$5.1 million of annual conveyance tax revenue will continue to flow to the fund. As a result, by Fiscal Year 2028, less than \$3.5 million annually will be available for land acquisition and land management grant awards from the Legacy Land Conservation Program, after deducting administrative overhead and the debt service payment for the Turtle Bay Conservation Easement.

Given the ongoing rise in property values and land acquisition costs, along with the steady stream of applications for worthy uses of the Land Conservation Fund, the Legacy Land Conservation Program identified legislative measures to enhance buying power. These efforts aim to help this vital and popular program better fulfill its mission and meet public demand.

- (1) Amend Section 247-7(1), Hawaii Revised Statutes, to reinstate the annual distribution of conveyance tax revenue to the Land Conservation Fund to ten percent of collections, uncapped, as legislated initially in 2005.
- (2) Amend Section 173A-13, Hawaii Revised Statutes, to reduce the annual debt service payment from the Land Conservation Fund to the Turtle Bay Conservation Easement Special Fund, to absorb the excess payments made to date by the Land Conservation Fund.

A short-term funding solution for FY2027 could involve allocating \$1,000,000 of general funds to the Land Conservation Fund to provide a cash balance that matches the \$9 million spending limit.

CONCLUSION

During Fiscal Year 2025, the Land Conservation Fund allocated \$1,500,000 to cover debt service on a state financial instrument related to acquiring the Turtle Bay

Conservation Easement on O‘ahu. The Legacy Land Conservation Program committed \$7,000,000 in FY2025 funds, supporting five newly approved grants for future land acquisitions with an estimated total project cost of \$50,269,000. These acquisitions aim to conserve approximately 1,999 acres on Hawai‘i (three grants), 542 acres on Maui (one grant), and 171 acres on O‘ahu (one grant).

The LLCP also manages existing grants, contracts, and state financial accounts that support \$200,000 in land management grants, allocated among five properties conserved through the Land Conservation Fund, and provides \$10,705,542 from prior fiscal years for seven pending land acquisitions valued at \$26,358,7929 (estimated total project costs). These seven acquisitions will conserve over 1,176 additional acres across the Hawaiian Islands (‘Anaeho‘omalu Kapalaoa and Nani Kai Hoku Agricultural Easement), O‘ahu (Kāne‘ohe Pali to Lo‘i, Pālāwai, Makali‘i, and Loko Ea Queen's Residence), and Kaua‘i (Kamealoha Kuleana Conservation Easement).



*LLCP 2024-01, ‘Anaeho‘omalu Kapalaoa
District of North Kona, Island of Hawai‘i
Scheduled to close during Fiscal Year 2026*