

OVERVIEW

Follow-Up to the Study of Revenue Entitlements to the Department of Hawaiian Home Lands

Report No. 99-13, March 1999

Summary

Hawaii's State Constitution entitles the Department of Hawaiian Home Lands (DHHL) to 30 percent of receipts derived from the leasing of sugarcane lands and/or from water licenses. These funds are transferred to the Native Hawaiian Rehabilitation Fund for improving the conditions of native Hawaiians.

House Concurrent Resolution No. 143, House Draft 3 of the 1998 legislative session requested the Auditor to conduct a follow-up audit of its 1991 *Study of Revenue Entitlements to the Department of Hawaiian Home Lands*, Report No. 91-9.

Although some progress has been made since our last study, we found the Department of Land and Natural Resources (land department) and the Department of Hawaiian Home Lands still fails to give adequate attention to the revenue entitlements for sugarcane lands and water licenses. As a result, the Department of Hawaiian Home Lands has not received all revenues to which it is entitled from sugarcane lands and water licenses, and trust obligations fail to be met.

Both departments are not complying with their 1980 Memorandum of Understanding that established the departments' respective responsibilities for sugarcane entitlements. The land department lacks a comprehensive inventory of sugarcane lands and water licenses and related leases, permits, and licenses, and does not provide sufficient information on entitlements to the DHHL. The land department also lacks formal policies and procedures to manage and monitor the entitlements owed to DHHL.

The Department of Hawaiian Home Lands also lacks complete information on sugarcane leases and water licenses. It has not provided the staff support to the land department as called for in the memorandum.

We also found that both departments have failed to sufficiently plan for the future use of sugarcane lands. Finally, we found that the land department has not developed clear valuation procedures for sugarcane lands exchanged between public agencies when trust obligations are involved.

Recommendations and Response

We recommended that the Department of Land and Natural Resources develop a comprehensive inventory that identifies all sugarcane lands and water licenses along with their respective leases and permits. The land department should also develop formal rules, policies, and procedures to manage sugarcane lands and water licenses. We also recommended that both departments comply fully with the terms

and conditions of the 1980 Memorandum of Understanding, and evaluate the adequacy of the memorandum after full compliance has been achieved. Both departments also should develop formal procedures to plan jointly for the future use of sugarcane lands that are subject to DHHL entitlement.

Finally, we recommended that the Legislature require an appraisal of all public lands, where trust obligations are involved, before such lands are conveyed to another government agency.

The Department of Hawaiian Home Lands generally agreed with our findings and recommendations. It stated that the report should serve as a useful tool for improving its ability to effectively monitor and verify revenue entitlements into the Native Hawaiian Rehabilitation Fund.

The Department of Land and Natural Resources agreed with a majority of the findings of our report but disagreed with some of the recommendations and questioned other parts of the report. The land department expressed concern that the time and effort to comply with the entitlement requirements may not be cost effective. The land department agrees that there is a need for a comprehensive inventory of sugarcane lands and water licenses, formal policies and procedures, and a formal planning component, but disagrees on the need to notify DHHL of lease rent decreases, increases or waivers. The land department also disagreed with our recommendation that the Legislature require an appraisal of all public lands, where trust obligations are involved, before such lands are conveyed to another government agency.

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