

REPORT TO THE TWENTY-FOURTH LEGISLATURE
2008 REGULAR SESSION

ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION 5(f)
OF THE ADMISSION ACT FOR FISCAL YEAR 2006-2007



Prepared by

THE STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

In response to Section 5 of Act 178, Session Laws of Hawaii 2006

Honolulu, Hawaii

January 2008

**ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION
5(f) OF THE ADMISSION ACT FOR FISCAL YEAR 2005-2006**

PURPOSE

This report is prepared pursuant to Section 5 of Act 178, Session Laws of Hawaii (SLH) 2006, which calls for the Department of Land and Natural Resources (DLNR) to provide an accounting of all receipts from lands described in section 5(f) of the Admission Act, for the prior fiscal year (FY).

Section 5 of Act 178, SLH 2006, states:

“Not later than January 1 of each year, the department of land and natural resources, with the cooperation of the department of budget and finance and any other state department or agency that uses or manages public lands, shall provide an accounting of all receipts from lands described in section 5(f) of the Admission Act for the prior fiscal year. With respect to each receipt, the department of land and natural resources shall identify:

- (1) The total gross amount;
- (2) The amount transferred to the Office of Hawaiian Affairs (OHA);
- (3) The amount retained by the State;
- (4) The account or fund in which the amount specified in paragraph (3) was transferred or deposited;
- (5) The parcel of land subject to section 5(f) of the Admission Act that generated the receipt, whether by tax map key number, department of land and natural resources inventory number, or other recognizable description; and
- (6) The state department or agency that received the total gross amount identified in paragraph (1).

The accounting shall also indicate whether any parcel of land described in section 5(f) of the Admission Act was sold or exchanged in the prior fiscal year and, if so, the amount of consideration that the State received for the respective parcels.”

METHODOLOGY

In September 2007 a memorandum from DLNR was sent to all departments reminding them of the reporting requirements of Act 178, SLH 2006. Agencies were instructed to submit their data to DLNR on a standardized spreadsheet template laying out the required data elements.

The following procedures were performed in order to compile the data from these reports:

- Agency reports were checked for completeness – total gross amount, amount transferred to OHA, amount retained by the State, etc.
- The total amounts transferred to OHA and reported by the agencies were reconciled to the transfers on file at the Department of Budget and Finance (B&F).
- If a report was not received or incomplete or if the totals transferred did not agree with those on file with B&F, DLNR staff contacted the agency representative for clarification, correction or resubmission of the report.
- Data was compiled and summarized on the attached Table 1, “Summary of Receipts from Lands Described in Section 5(f) of the Admission Act by Department for Fiscal Year 2006-2007.”
- At OHA's request, DLNR also compiled a table identifying parcels that were sold or exchanged during this reporting period. (These transactions are already included and identified in the agency revenue reports, but are separately reported for convenience.)
- As required by Act 178, SLH 2006, DLNR consulted with OHA in 2006 to determine the method in which the accounting for this report was to be conducted; OHA requested that information be collected from the agencies in order to document their methods of ceded lands determination and their calculations for revenue transfer.
- Responsibility for the accuracy of individual transactions continues to rest with each agency. Verifying the accuracy of such transactions is beyond the scope of the tasks prescribed in Act 178, SLH 2006. Similarly, confirming the trust land status for each parcel was not done as part of this report. However, as noted above, documenting the agencies' methodologies was begun this year. Results were not available at the time of this year's report compilation.

STATUS

As this is the second year of this reporting requirement, agencies generally had less difficulty producing their reports. However, because their inventory and property management systems were not designed with Act 178, SLH 2006, in mind, some agencies continue to face significant challenges to quickly and easily preparing their reports (at least one agency has changed its method of recording receipts in order to simplify the process). In addition, agency systems store varying degrees of detail concerning trust land status and parcel location (i.e., tax map key).

The following departments submitted revenue reports for FY 2006-2007:

- Accounting and General Services (DAGS)
 - Automotive and Parking Control
- Agriculture (DOA)
 - Agricultural Resource Management
 - Agribusiness Development Corporation (ADC)
- Business, Economic Development, and Tourism (DBEDT)
 - Foreign Trade Zone (FTZ)
 - Hawaii Community Development Authority (HCDA)
 - Natural Energy Laboratory of Hawaii Authority (NELHA)
 - Hawaii Housing Finance and Development Corporation (HHFDC)
- Education (DOE)
- Health (DOH)
 - Hawaii Health Systems Corporation (HHSC)
- Land and Natural Resources (DLNR)
 - Boating and Ocean Recreation (DOBOR)
 - Forestry and Wildlife (DOFAW)
 - Land Division (LD)
 - State Parks (SP)
- Transportation (DOT)
 - Airports (DOTA)
 - Harbors
 - Highways
- University of Hawaii (UH)

The following agency did not submit a revenue report for FY 2006-2007:

- Human Services (DHS)
 - Hawaii Public Housing Authority (HPHA)¹

This is the second year that HPHA did not submit a report. According to their Fiscal Office, the accounting system has been unreliable for the last several years, and is not capable of producing an accurate report. They are in the process of reconstructing their books from scratch.

Last year, UH did not submit a report. This year their report notes that they are in discussion with the Department of the Attorney General to determine the "proper and accurate calculation of the University's share to comply with Act 178, SLH 2006 [and Executive Order 06-06]..."

DATABASE DEVELOPMENT

The Legislature included an appropriation of \$250,000 in Act 178, SLH 2006, to allow for development of systems and procedures that facilitate preparing this report. In July 2007, DLNR contracted with Commercial Data Systems, Inc. (CDS) to develop systems to address data collection, storage and reporting needs, which may include modifications to reporting agencies' systems. The immediate objectives of the development project are:

- 1) To document how agencies determine the trust land status of the lands they manage;
- 2) To document how agencies calculate the OHA portion of their trust land revenues;
- 3) To modify and/or supplement agencies' existing systems and procedures to enable extraction of the relevant data in a uniform and consistent manner; and
- 4) To develop a central database system ("host") to collect and store data from the agencies ("clients") and to serve as an information resource for public trust land revenues.

¹ According to HPHA Fiscal Office, the agency is currently reconstructing their General Ledger (GL) system. Their goal is to have the GL on-line and a complete set of Financial Reports ready by March 2008. There is no verifiable data from which to produce a report in compliance with Act 178, SLH 2006 .[12/19/2007].

The Act 178, SLH 2006 Project Team, consisting of members from DLNR, the Information and Communication Services Division of DAGS., OHA, DOA, DOE and DBEDT-NELHA, began working in earnest in August of this year, focusing on defining the system architecture and host data structures. Active participation by OHA on the project team has led to more meaningful and informative discussion and deliberation. And although primarily technology-based solutions are still being developed, there have been educational opportunities as well, as we address non-technical, cultural and legal issues in the context of Act 178, SLH 2006.

In December 2007, a meeting was held for all executive branch agencies at which surveys were distributed to begin documenting agencies' abstracting and accounting practices, and to identify gaps in their current information systems with respect to the Act 178, SLH 2006. These surveys will provide valuable information about agency methods and may serve as the basis for potential system modifications.

It is anticipated that the host system development and the client system modifications will be completed by August 2008. The Act 178, SLH 2006, Report to the Legislature for FY 2008 will be the first to benefit from the information collected and stored on this new data mart system.

Summary of Receipts from Lands Described in Section 5(f) of the Admission Act by Department

For Fiscal Year 2006-2007

Act 178, Session Laws of Hawaii 2006

Agency	Amount Retained by the State	Amount Transferred to OHA	Gross Receipt	Reference
Accounting and General Services	93,899	23,475	117,374	Attachment 1
Agriculture	419,041	90,671	509,713	Attachment 2
Agribusiness Development Corporation	196,021	58,052	245,026	Attachment 3
Business, Economic Development, Tourism				
Foreign Trade Zone	59,796	14,949	74,745	Attachment 4
Hawaii Community Development Authority	708,826	177,206	886,032	Attachment 5
Natural Energy Laboratory of Hawaii Authority	3,076,019	230,945	3,315,336	Attachment 6
Hawaii Housing Finance & Development Corporation	4,833,970	0	4,833,970	Attachment 7
Education	964,354	45,388	1,009,742	Attachment 8
Health				
Hawaii Health Systems Corporation	1,169,501	56,808	1,226,308	Attachment 9
Human Services				
Hawaii Public Housing Authority (no report)	0	0	0	Attachment 10
Land and Natural Resources				
Boating and Ocean Recreation	6,335,806	1,343,117	7,678,922	Attachment 11
Forestry and Wildlife	140,294	35,141	175,435	Attachment 12
Land	7,672,233	1,954,571	9,626,805	Attachment 13
State Parks	1,777,447	447,859	2,225,306	Attachment 14
Transportation				
Airports	41,845,011	0	41,845,011	Attachment 15
Harbors	45,821,263	7,036,841	52,858,104	Attachment 16
Highways	3,852	0	3,852	Attachment 17
University of Hawaii	1,848,894	0	1,848,894	Attachment 18
Totals	<u>116,966,226</u>	<u>11,515,023</u>	<u>128,480,574</u>	

Table 1