

Report to the Twenty-Fifth Legislature  
Regular Session of 2009

ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION 5(f)  
OF THE ADMISSION ACT FOR FISCAL YEAR 2007-2008



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

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## **ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION 5(f) OF THE ADMISSION ACT FOR FISCAL YEAR 2007-2008**

### **EXECUTIVE SUMMARY**

This report is prepared pursuant to Section 5 of Act 178, Session Laws of Hawaii (SLH) 2006, to provide an accounting of all receipts from lands described in section 5(f) of the Admission Act ("ceded lands").

Earlier this year, all state departments were reminded of this reporting requirement. Of the 17 departments that were notified, 13 responded, including 14 individual divisions and offices, for a total of 21 agencies. Of these, five reported no receipts from ceded lands. In addition, two agencies did not submit reports – two that had submitted reports in the past and one that is rebuilding its accounting system – Highways Division (Department of Transportation), Hawaii Health Systems Corporation (Department of Health) and Hawaii Public Housing Authority (Department of Human Services). Two other departments did not respond at all – Department of Taxation and Department of Public Safety.

Also this year, the results of the Public Trust Land Survey were compiled. As a result of some of the findings, additional instructions were issued to reporting agencies – gross receipts should only reflect the amounts on which the Office of Hawaiian Affairs (OHA) pro rata share is calculated. The survey revealed that some agencies were including non-ceded receipts and pass through expenses in the gross receipt amount.

The results of the Gap Analysis Survey showed that fewer agencies will need direct modifications of their systems in order to facilitate their reporting under Act 178, SLH 2006. More utilities can be incorporated into the database itself on the server to accommodate their needs instead.

For most of 2008, the Project Team worked with the consultant, Commercial Data Systems, to develop this database system where client agencies will be able to submit their reports electronically. The major issues of system architecture, database design, user interface and report writing were resolved and the servers (one test and one production) are awaiting installation in the Department of Accounting and General Services' Information and Communication Services Division server facility. In the meantime, Project Team members received trained and successfully tested the upload and reporting process.

Once fully implemented, the database system will facilitate the reporting process and will ensure reliable, consistent data across agencies and across years. Although the system's purpose is narrowly defined under Act 178, SLH 2006, the database itself is standards-based, extensible, and widely available over the state's internal network, and so may add value to other applications requiring ceded lands revenue data.

## **BACKGROUND**

This report is prepared pursuant to Section 5 of Act 178, 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 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 October 2008, as in previous years, a memorandum from DLNR was sent to all departments reminding them about 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.
- If a report was not received or incomplete or if the totals transferred did not agree with those on file with the Department of Budget and Finance (B&F), DLNR staff contacted the agency representative for clarification, correction or resubmission of the report.
- 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.)
- Agencies were surveyed in order to document their methods of ceded lands determination and their calculations for revenue transfer.
- The total amounts transferred to OHA reported by the agencies were reconciled with the transfers on file at B&F.
- Data was compiled and summarized on the attached Attachment 1, “Summary of Receipts from Lands Described in Section 5(f) of the Admission Act by Department for Fiscal Year 2007-2008.”

Responsibility for the accuracy of the data rests with the agencies. Verifying the accuracy of individual transactions and confirming the trust land status for individual parcels are beyond the scope of the tasks prescribed in Act 178, SLH 2006.

The following agencies submitted revenue reports for FY 2007-2008:

- Accounting and General Services (DAGS)  
Automotive Management and Parking Control
- Agriculture (DOA)  
Agribusiness Development Corporation (ADC)  
Agricultural Resources Management
- Business, Economic Development, and Tourism (DBEDT)  
Foreign Trade Zone (FTZ)  
Hawaii Community Development Authority (HCDA)  
Hawaii Housing Finance and Development Corporation (HHFDC)  
Natural Energy Laboratory of Hawaii Authority (NELHA)
- Commerce and Consumer Affairs (DCCA)
- Defense (DOD)
- Education (DOE)
- Hawaiian Home Lands (DHHL)
- Human Resources Development (DHRD)
- Human Services (DHS)  
Office of Youth Services (OYS)
- Labor and Industrial Relations (DLIR)
- Land and Natural Resources (DLNR)  
Boating and Ocean Recreation (DOBOR)  
Forestry and Wildlife (DOFAW)  
Land Division (LD)  
State Parks (SP)
- Transportation (DOT)  
Airports Division (DOTA)  
Harbors Division
- University of Hawaii (UH)

The following agencies did not submit revenue reports for FY 2007-2008:

- Health (DOH)  
Hawaii Health Systems Corporation (HHSC)
- Human Services (DHS)  
Hawaii Public Housing Authority (HPHA)
- Transportation (DOT)  
Highways Division

### **DATABASE DEVELOPMENT PROJECT**

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.

In mid-2008 results from the two surveys were compiled – the Public Trust Land (PTL) Survey and the Gap Analysis (GA) Survey. The compiled results are included in this report as Attachment 2 and Attachment 3, respectively.

Although intended as a documentation exercise, the PLT Survey revealed bookkeeping differences among some of the reporting agencies that ultimately required changing, clarifying, and further standardizing reporting methods. Some agencies approximated percentages of receipts from mixed ceded/non-ceded parcels when calculating OHA's pro rata share, but didn't apply that same percentage to the gross receipt. Some agencies included "pass through" expenses in their report of gross receipts (e.g., utility costs incurred by lessees, paid for by the agency, then reimbursed by the lessee). These reporting methods resulted in overstated gross receipts that included amounts on which the OHA pro rata share was not calculated. That led to the appearance of under-calculating the transfer amounts. Changes have since been made to the instructions to

agencies to report only that portion of their gross receipts on which they calculate the OHA pro rata share, and to exclude pass through expenses from their gross receipts.

The GA Survey was equally revealing. It was initially thought that modifications would be required to many client data systems in order to facilitate a more automated reporting system. However, while there are a handful of agencies that will need some assistance, for most, additional utilities and reference tables can be installed on the server to resolve specific conversion or lookup requirements. This will result in a reduced impact on client systems and a more manageable system maintenance scenario for the future.

Work on the database design focused instead on server side issues – system architecture, security, and workflow. To that end, the Act 178, SLH 2006 Project Team, consisting of members from DLNR, OHA, DOA, DOE, DBEDT-NELHA, and DAGS-Information and Communication Services Division (ICSD) worked with CDS on the database layout, user interfaces, and reporting tools that will facilitate data uploads directly from client agencies.

## **NEXT STEPS**

The servers – one test / development server and one production server – are currently being installed in ICSD's server room where 24/7 power, air conditioning, a connection to the State's Next Generation Network (NGN) backbone, automatic tape backup, and emergency power are available. After the systems are fully operational in January 2009, agencies will be invited to attend training sessions tentatively scheduled for early February to access and use the database. Once trained, agencies can immediately begin uploading their data.

Ongoing hardware and operating system maintenance will be performed by ICSD staff, database management and application support will be provided by DLNR staff.

The resulting system will balance user-friendliness with strict data requirements that help ensure reliable and accurate information. Although the system's purpose is narrowly defined under Act 178, SLH 2006, the database itself is standards-based, extensible, and widely available over the state's internal network, and so may add value to other applications requiring ceded lands revenue data.

Summary of Receipts from Lands Described in Section 5(f) of the Admission Act by Department  
For Fiscal Year 2007-2008  
Act 178, Session Laws of Hawaii 2006

Agency	Amount Retained by the State	Amount Transferred to OHA	Gross Receipt	Reference
Accounting and General Services (DAGS)				
Automotive Management and Parking Control	95,476	23,869	119,345	Attachment 4
Agriculture (DOA)				
Agribusiness Development Corporation (ADC)	259,686	64,922	324,608	Attachment 5
Agricultural Resources Management (ARM)	737,737	195,706	933,443	Attachment 6
Business, Economic Development, and Tourism (DBEDT)				
Foreign Trade Zone (FTZ)	76,985	19,246	96,231	Attachment 7
Hawaii Community Development Authority (HCDA)	231,004	57,751	288,755	Attachment 8
Hawaii Housing Finance and Development Corporation (HHFDC)	3,858,518	0	3,858,518	Attachment 9
Natural Energy Laboratory of Hawaii Authority (NELHA)	1,018,037	220,960	1,238,997	Attachment 10
Commerce and Consumer Affairs (DCCA)	0	0	0	Attachment 11
Defense (DOD)	540	628	1,168	Attachment 12
Education (DOE)	961,550	49,566	1,011,116	Attachment 13
Hawaiian Home Lands (DHHL)	0	0	0	Attachment 14
Human Resources Development (DHRD)	0	0	0	Attachment 15
Human Services (DHS)				
Office of Youth Services (OYS)	0	0	0	Attachment 16
Labor and Industrial Relations (DLIR)	0	0	0	Attachment 17
Land and Natural Resources (DLNR)				
Boating and Ocean Recreation (DOBOR)	5,623,833	1,257,124	6,880,957	Attachment 18
Forestry and Wildlife (DOFAW)	189,383	47,249	236,632	Attachment 19
Land Division (LD)	9,117,964	2,087,875	11,205,839	Attachment 20
State Parks (SP)	2,053,310	499,677	2,552,988	Attachment 21
Transportation (DOT)				
Airports Division (DOTA)	43,929,688	0	43,939,688	Attachment 22
Harbors Division	28,378,701	7,094,692	35,473,393	Attachment 23
University of Hawaii (UH)	1,944,613	0	1,944,613	Attachment 24
<b>Totals</b>	<b><u>98,477,024</u></b>	<b><u>11,619,265</u></b>	<b><u>110,106,290</u></b>	