

Report to the Twenty-Fifth Legislature  
Regular Session of 2010

ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION 5(f)  
OF THE ADMISSION ACT FOR FISCAL YEAR 2008-2009



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

March 2010

## **ACCOUNTING OF ALL RECEIPTS FROM LANDS DESCRIBED IN SECTION 5(f) OF THE ADMISSION ACT FOR FISCAL YEAR 2008-2009**

### **EXECUTIVE SUMMARY**

Pursuant to Section 5 of Act 178, Session Laws of Hawaii (SLH) 2006, this report provides an accounting of all receipts from lands described in Section 5(f) of the Admission Act ("ceded lands").

Of the 16 agencies that submitted reports last year, 15 submitted detail and/or summary reports this year, one did not respond, and one that didn't submit a report last year did so this year. A quick comparison to last year's report shows that the total amount of agency transfers to the Office of Hawaiian Affairs (OHA) rose \$1.6 million from \$11.6 million in Fiscal Year (FY) 2008 to \$13.2 million in FY 2009. On closer inspection, it is clear that this was due to the University of Hawaii's transfers of funds to OHA, which included approximately \$2 million in retroactive payments.

A public trust lands revenue database has been developed to facilitate reporting by the agencies and subsequent analysis of the data. The database servers were installed in November 2009 and are currently being configured and tested; data prior years' reports will be uploaded in early 2010.

To prepare for this implementation, agencies were invited to attend training sessions held in April and June 2009. Staff from all agencies that submitted reports in FY 2008 attended. As part of the training exercise, each agency uploaded its FY 2008 data and performed "data scrubbing" to bring it to a standard format to ensure accuracy and consistency of the data across agencies and across years. When the database system is fully implemented, agencies will be able to perform these tasks remotely from their offices.

Although the system's purpose is narrowly defined under Act 178, SLH 2006, the database itself is standards-based, extensible, and accessible over the State's internal Next Generation Network (NGN). The data could be made accessible to other applications requiring public trust lands revenue data, and additional access to the system could be granted in the future.

## **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 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 FY and, if so, the amount of consideration that the State received for the respective parcels.”

## METHODOLOGY

As in previous years, agencies submitted 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 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.)
- 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 FY 2008-2009.”

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 detail and/or summary revenue reports for FY 2009:

- Accounting and General Services (DAGS)  
Automotive Management and Parking Control
- Agriculture (DOA)  
Agribusiness Development Corporation (ADC)  
Agricultural Resources Management (ARM)
- Business, Economic Development, and Tourism (DBEDT)  
Foreign Trade Zone (FTZ)  
Hawaii Community Development Authority (HCDA)  
Natural Energy Laboratory of Hawaii Authority (NELHA)\*

- Defense (DOD)
- Education (DOE)\*
- Land and Natural Resources (DLNR)
  - Boating and Ocean Recreation (DOBOR)
  - Forestry and Wildlife (DOFAW)
  - Land Division (LD)
  - State Parks (SP)
- Transportation (DOT)
  - Airports Division (AIR)
  - Harbors Division (HAR)
  - Highways Division (HWY)
- University of Hawaii (UH)

The following agencies did not submit revenue reports for FY 2009:

- DBEDT
  - Hawaii Housing Finance and Development Corporation (HHFDC)
- Health (DOH)
  - Hawaii Health Systems Corporation (HHSC)
- Human Services (DHS)
  - Hawaii Public Housing Authority (HPHA)

It should be noted that this is the first year that UH has transferred funds to OHA, although it has been reporting gross revenue figures since FY 2007. Included in these inaugural transfers for FY 2009 are retroactive payments made for transfers that were missed in prior years. These retroactive payments, totaling approximately \$2 million, resulted in significantly higher total agency transfers to OHA in FY 2009 than in FY 2008 (\$13.2 million and \$11.6 million, respectively). However, excluding all of UH's transfers in FY 2009 (the first year that UH has made the transfer), the remaining collections drop to about \$10.9 million, a decrease of about 6% over FY 2008.

## **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.

Agencies were invited to attend training sessions in April and June 2009 to prepare for the implementation of the database system. In April, staff from the following agencies attended the training session held at the CDS training facility:

- DAGS-Automotive
- DOA-ADC
- DOA-ARM
- DBEDT-HCDA
- DBEDT-HHFDC
- DLNR-Fiscal
- DOT-AIR
- DOT-HAR
- DOT-HWY
- UH

In June, staff from the following agencies attended training held at the DLNR Land Division Office in Honolulu:

- DBEDT-FTZ
- DBEDT-NELHA
- DOD
- DOE

In the hands-on exercises, staff uploaded their own agency's data from FY 2008 and the database system performed some initial quality control (e.g., Tax Map Keys in the correct form, Trust Land Status entered, total amounts match batch totals). The system then passed on the correctly formatted data to DLNR staff, who performed a final quality control check (e.g., amount transferred equals the amount reported by B&F). The accepted data was then incorporated into the test database and a preformatted, standardized legislative report was run.

## **NEXT STEPS**

The servers – one test / development server and one production server – are currently being installed, configured and tested in DAGS' Information and Communication Services Division's (ICSD) server room where 24/7 power, air conditioning, a connection to the State's Next Generation Network backbone, automatic tape backup, and emergency power are available. After the systems are fully operational in January 2010, agencies can immediately begin uploading their data.

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

The resulting system will balance the user-friendliness of a web browser with the strict quality control of an enterprise database management system, ensuring the collection of 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 accessible over the State's internal NGN. The data could be made accessible to other applications requiring public trust lands revenue data, and additional access to the system could be granted in the future.