
A BILL FOR AN ACT

RELATING TO THE PUBLIC LAND TRUST WORKING GROUP.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In Act 226, Session Laws of Hawaii 2022 (Act
2 226), which in part established the public lands trust working
3 group, the legislature stated in relevant part:

4 "It is incumbent upon the legislature to enact
5 legislation that upholds its trust responsibilities
6 and duty of care to native Hawaiians to:

- 7 (1) Account for all ceded lands in the public
8 lands trust inventory;
- 9 (2) Account for all income and proceeds derived
10 from the public land trust; and
- 11 (3) Transfer the full twenty per cent pro rata
12 share of income and proceeds from the public
13 land trust annually to the office of
14 Hawaiian affairs (OHA) for the betterment
15 of the conditions of native Hawaiians.

16 The genesis and source of the State's public land
17 trust responsibility to native Hawaiians are the



1 historical events that led to the illegal overthrow
2 of the Kingdom of Hawaii; the transfer of
3 approximately 1,800,000 acres of crown, government,
4 and public lands to the United States under the 1898
5 Joint Resolution of Annexation without the consent of
6 and without compensation to the native Hawaiian people
7 or their sovereign government; the admission of Hawaii
8 as a state of the Union in 1959, with the explicit
9 trust responsibility and requirement in section 5(f)
10 of the 1959 Admission Act that one of the five
11 purposes of the public land trust is that the income
12 and proceeds from the public land trust are to be used
13 "for the betterment of the conditions of native
14 Hawaiians"; and the 1978 Constitutional Convention's
15 recognition that native Hawaiians are one of the
16 beneficiaries of the public land trust and the
17 creation of OHA to manage and administer the specific
18 allocation of "all income and proceeds from that pro
19 rata portion of the [public land] trust . . . for
20 native Hawaiians" (Article XII, section 6, of the
21 Hawaii State Constitution). The United States and



1 the courts have consistently affirmed the trust nature
2 of the government and crown lands, including large
3 tracts of ceded lands used for military or other
4 purposes under federal control.

5 In 1959, as a condition of its admission into
6 the Union, the State of Hawaii agreed to hold certain
7 lands granted to the State by the United States in a
8 public trust for five purposes delineated in section
9 5(f) of the Admission Act, which provides in relevant
10 part:

11 The lands granted to the State of Hawaii by
12 subsection (b) of this section and public lands
13 retained by the United States under subsections (c)
14 and (d) and later conveyed to the State under
15 subsection (e), together with the proceeds from the
16 sale or other disposition of any such lands and the
17 income therefrom, shall be held by said State as a
18 public trust [(1)] for the support of the public
19 schools and other public educational institutions,
20 [(2)] *for the betterment of the conditions of native*
21 *Hawaiians, as defined in the Hawaiian Homes Commission*



1 Act, 1920, as amended, [(3)] for the development of
2 farm and home ownership on as widespread a basis as
3 possible [(4)] for the making of public improvements,
4 and [(5)] for the provision of lands for public use.
5 Such lands, proceeds, and income shall be managed and
6 disposed of for one or more of the foregoing purposes
7 in such manner as the constitution and laws of said
8 State may provide, and their use for any other object
9 shall constitute a breach of trust for which suit may
10 be brought by the United States.

11 (*Emphasis added.*)

12 In 1978, the people of Hawaii affirmed the
13 State's trust obligation to native Hawaiians by
14 ratifying constitutional amendments from the
15 Constitutional Convention, including article XII,
16 sections 4, 5, and 6, of the Hawaii State
17 Constitution, which established OHA and charged it
18 with managing income and proceeds from the public land
19 trust for the benefit of native Hawaiians. Article
20 XVI, section 7, of the Hawaii State Constitution
21 required the State to enact legislation to comply with



1 its trust obligations. Thus, in 1979, legislation,
2 codified as chapter 10, Hawaii Revised Statutes, set
3 forth the purposes of OHA and described the duties of
4 its trustees.

5 In September 1981, an initial land inventory by
6 the department of land and natural resources listed
7 approximately 1,271,652 acres, falling woefully short
8 of its duty to provide a complete inventory of the
9 public land trust lands. Additionally, the state land
10 information management system does not include all
11 lands held by all state entities.

12 Act 273, Session Laws of Hawaii 1980, enacted
13 section 10-13.5, Hawaii Revised Statutes, to
14 implement OHA's pro rata share and required that OHA
15 receive "[t]wenty per cent of all funds derived from
16 the public land trust[.]" This legislative directive
17 addressing the constitutional mandate has led to a
18 series of lawsuits and legislative enactments
19 concerning OHA's constitutional pro rata share of the
20 public land trust. The State and OHA have labored to
21 resolve the political question of the statutory pro



1 rata share of income and proceeds derived from the
2 public land trust, and payment to OHA.

3 Act 178, Session Laws of Hawaii 2006, affirmed
4 the State's trust obligation to native Hawaiians by
5 requiring that the department of land and natural
6 resources provide an annual accounting of revenue-
7 generating public trust lands and the amounts derived
8 from those lands to the legislature. The measure also
9 set a fixed amount of \$15,100,000 from the pro rata
10 share of the public land trust income and proceeds
11 due to OHA for the betterment of the conditions of
12 native Hawaiians until further action is taken by the
13 legislature for this purpose.

14 Act 15, Session Laws of Hawaii 2012, (Act 15)
15 was enacted to address past-due amounts, which
16 accumulated during the period between November 7,
17 1978, up to and including June 30, 2012, of income
18 and proceeds from the public land trust owed to OHA
19 by implementing an agreement between the State and
20 OHA for the State to convey certain lands in Kakaako,
21 Oahu, to OHA valued at approximately \$200,000,000.



1 Act 15 did not, however, address the State's
2 constitutional obligations relating to OHA's twenty
3 per cent pro rata share of the income and proceeds
4 from the public land trust generated after June 30,
5 2012. Notably, a 2015-2016 financial review initiated
6 by OHA found that the minimum amount of total gross
7 receipts from sources that OHA has historically
8 claimed was approximately \$394,322,163 in the fiscal
9 year 2015-2016. Twenty per cent of this gross amount
10 is approximately \$78,900,000."

11 In 2022, the legislature found that to uphold its
12 constitutional trust obligation and duty to native
13 Hawaiians, it must enact another legislative measure in
14 light of the information, data, and facts provided to the
15 legislature by state agencies since the enactment of Act
16 178, Session Laws of Hawaii 2006, more than a decade
17 earlier.

18 Act 226 was enacted to:

- 19 (1) Increase the office of Hawaiian affairs' interim
20 annual share of the income and proceeds of the public



1 land trust beginning in fiscal year 2022-2023 from
2 \$15,100,000 to \$21,500,000;

3 (2) Appropriate \$64,000,000 to the office of Hawaiian
4 affairs; and

5 (3) Establish a public land trust working group (working
6 group) to determine the pro rata share of income and
7 proceeds from the public land trust due annually to
8 the office of Hawaiian affairs after June 30, 2022.

9 Conference Committee Report No. 250-22 filed with S.B. No.
10 2021, S.D. 1, H.D. 2, C.D. 1, which would later be enacted as
11 Act 226, further found that "the past-due sum owed to the Office
12 of Hawaiian Affairs for any and all underpayments of the pro-
13 rata portion of the income and proceeds of the Public Land Trust
14 for the period from July 1, 2012, to June 30, 2022, is
15 \$64,000,000, and that this sum is intended to represent the
16 cumulative impact of an inflation adjustment for that period."

17 The legislature finds that Act 15 and Act 226 have
18 addressed past-due amounts that accumulated during the period
19 between November 7, 1978, up to and including June 30, 2022, of
20 income and proceeds from the public land trust owed to the
21 office of Hawaiian affairs.



1 The legislature finds that Act 54, Session Laws of Hawaii
2 2011 (Act 54), mandates the establishment of a comprehensive
3 information system to inventory and maintain information about
4 the lands of the public land trust as described in section 5(f)
5 of the Admission Act and article XII, section 4 of the state
6 constitution. The department of land and natural resources
7 worked with a consultant to develop a public land trust
8 information system (information system) to satisfy the
9 requirements of Act 54. The information system will be a
10 geographic information system that is intended for a complete
11 inventory of all state-owned and county-owned lands, as well as
12 a complete inventory of encumbrances issued by state and county
13 agencies over these lands. To meet these goals, each state or
14 county agency must submit comprehensive lists of its land and
15 encumbrance inventories.

16 The legislature further finds that the working group
17 established under Act 226 was assigned to:

- 18 (1) Account for all ceded lands in the public land trust
19 inventory;
- 20 (2) Account for all income and proceeds from the public
21 land trust; and

1 (3) Subsequently determine the twenty per cent pro rata
2 share of income and proceeds from the public land
3 trust due annually to the office of Hawaiian affairs
4 for the betterment of the conditions of Native
5 Hawaiians.

6 In December 2023, the working group submitted to all state
7 agencies that hold title to, maintain management control, or
8 otherwise use ceded lands, a written request to provide
9 information, data, documents, and maps to ensure that those
10 agencies have completely and accurately identified and reported
11 to the department of land and natural resources: (1) all ceded
12 land parcels for the purpose of an inventory; and (2) all income
13 and proceeds collected or received from the public land trust.

14 The working group has been informed that the last financial
15 review by an outside independent accounting firm of the pro rata
16 share was the fiscal year 2015-2016 financial review initiated
17 by the office of Hawaiian affairs. At the time, the financial
18 review identified total gross receipts from historically claimed
19 public land trust revenue sources in the minimum amount of
20 approximately \$394,322,163 in the fiscal year 2015-2016. Twenty
21 per cent of this gross amount is approximately \$78,900,000. The



1 working group found that there has been no new financial review
2 since the 2015-2016 financial review. The 2016 financial review
3 cost \$145,404.

4 The legislature notes that Act 178, Session Laws of Hawaii
5 2006 (Act 178), requires the department of land and natural
6 resources, with the cooperation of the department of budget and
7 finance and any other state department or agency that uses or
8 manages public lands, to provide an accounting of all receipts
9 from lands described in section 5(f) of the Admission Act for
10 the prior fiscal year. The working group has been informed that
11 state agencies' self-reported information for the purposes of
12 these reports is not audited or reviewed for accuracy by the
13 department of land and natural resources.

14 The working group has been informed that work began on the
15 process to procure a consultant for the information system after
16 the enactment of Act 54 and that the development of the
17 information system began in 2012 and the information system was
18 launched in October 2018. Act 54 appropriated up to \$360,000
19 from a land conservation fund for the work by an outside
20 independent consultant. The final amount for the creation of
21 the information system and training was \$340,382.



1 As part of the implementation of the information system,
2 all state and county agencies that hold title to land are
3 required to submit their entire land inventory, regardless of
4 the public land trust status, regardless of whether there are
5 any encumbrances on the land, and regardless of whether revenue
6 is being generated on the land. All state and county agencies
7 are additionally required to submit encumbrances that they have
8 issued over state-owned and county-owned land, regardless if
9 they hold title to that land or not and regardless if they were
10 revenue generating. This includes all encumbrances, including
11 leases, permits, right-of-entries, and easements. The goal was
12 to have all encumbrances issued over state-owned and county-
13 owned land represented in the information system.

14 As with the reporting to the department of land and natural
15 resources on public land trust revenues, the information system
16 is also based on self-reporting by state agencies and the
17 counties. There are some disclaimers about the information.
18 The department of land and natural resources has encouraged all
19 state and county departments to regularly update data in the
20 system. Updates, however, are also based on self-reported



1 information. The legislature believes that independent
2 third-party professionals need to evaluate this practice.

3 The working group has been informed that when a parcel
4 consists of both ceded and nonceded lands, the state agencies
5 use a "rule of thumb" to determine whether a parcel is ceded or
6 not. When more than fifty per cent of a parcel is ceded land,
7 it is categorized as ceded. The working group has been unable
8 to determine whether this is detrimental to the calculation of
9 the office of Hawaiian affairs' pro rata share. The legislature
10 believes that independent third-party professionals need to
11 evaluate this practice.

12 The working group has been informed that there are many
13 parcels without tax map key numbers in the information system
14 and therefore may not be included in the system. This is
15 particularly so for submerged lands, which are generally
16 considered public land trust lands. The legislature believes
17 that independent third-party professionals need to evaluate how
18 to include these parcels so that the information system contains
19 the complete and accurate inventory.

20 The working group has been informed that the lands under
21 federal jurisdiction are not included in the information system



1 and that the counties do not report any of the revenue from the
2 public land trust to the department of land and natural
3 resources for the purposes of the annual accounting required
4 pursuant to Act 178 (Act 178 report).

5 To the knowledge of the working group, there has been no
6 third-party independent audit, review, or evaluation of the
7 thoroughness and accuracy of the information system or the
8 current reporting by agencies for the purpose of preparing the
9 annual Act 178 report, nor has there been any analysis or
10 comparison of the data in the information system with the data
11 in the Act 178 reports.

12 The working group has conducted research and has determined
13 that the services of one or more third-party independent
14 consultants with the necessary financial, accounting, and land
15 inventory expertise will be appropriate to address the concerns
16 that have been raised regarding the thoroughness and accuracy of
17 the information system, to ensure that the working group
18 completes its objectives under Act 226.

19 Based on the amounts expended for the office of Hawaiian
20 affairs' 2016 financial review and the creation and launch of
21 the information system, which cost \$495,786, the working group



1 has estimated that approximately \$1,000,000 is needed for the
2 retention of third-party independent professionals.

3 Accordingly, the purpose of this Act is to appropriate
4 moneys to the office of Hawaiian affairs for the hiring of
5 necessary staff and the purchase of equipment and professional
6 services on behalf of the public land trust working group.

7 SECTION 2. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$ or so
9 much thereof as may be necessary for fiscal year 2025-2026 and
10 the same sum or so much thereof as may be necessary for fiscal
11 year 2026-2027 for the hiring of necessary staff and the
12 purchase of equipment and professional services on behalf of the
13 public land trust working group; provided that in obtaining
14 services by uniquely qualified persons, the office of Hawaiian
15 affairs shall be exempt from chapter 103D, Hawaii Revised
16 Statutes.

17 The sums appropriated shall be expended by the office of
18 Hawaiian affairs for the purposes of this Act.

19 SECTION 3. This Act shall take effect on July 1, 3000.



Report Title:

Public Land Trust Working Group; OHA; Public Land Trust;
Appropriation

Description:

Appropriates moneys to the Office of Hawaiian Affairs to facilitate the hiring of necessary staff and the purchase of equipment and professional services on behalf of the public land trust working group. Effective 7/1/3000. (HD3)

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