

DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the House Committee on
WATER & LAND**

**Wednesday, April 4, 2018
11:20 AM
State Capitol, Conference Room 325**

**In consideration of
HOUSE CONCURRENT RESOLUTION 84/HOUSE RESOLUTION 69
REQUESTING A MANAGEMENT AUDIT OF THE SPECIAL LAND AND
DEVELOPMENT FUND AND THE OPERATING BUDGET OF THE LAND DIVISION
OF THE DEPARTMENT OF LAND AND NATURAL RESOURCES**

House Concurrent Resolution 84/House Resolution 69 requests the Auditor to conduct a management audit of the Special Land and Development Fund (SLDF) administered by the Department of Land and Natural Resources (Department) using the criteria set forth under Section 37-52.3, Hawaii Revised Statutes; provided that the audit also covers the income and expenditures of the Fund for the five-year fiscal period from 2014 to 2018; and the operating budget of the Land Division of the Department to determine whether efficiencies and savings have been realized by the change in the means of financing the division's operating budget from general funds to special funds. **The Department opposes these measures.**

The Auditor is currently conducting an audit of the SLDF pursuant to Act 209, Session Laws of Hawaii 2017. As the current audit will review whether expenditures from the SLDF were compliant with the law and will offer recommendations accordingly, this resolution is duplicative, burdensome and wasteful.

Land Division's primary responsibilities include assisting the Land Board in overseeing the management of 1.3 million acres of State lands, including processing dispositions such as leases, easements (including shoreline encroachments), revocable permits and rights of entry for shorter term durations. Other duties include addressing illegal or unauthorized commercial activities on unencumbered State lands, negotiating land acquisitions on behalf of other agencies that include Lipoa Point, Maui Veterans' Cemetery expansion, Maui Regional Park, Turtle Bay, etc., and coordinating with various agencies to produce the Act 178 report of all ceded land revenues generated by State agencies.

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

JEFFREY. T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Land Division also manages specialized informational technology programs such as the State Lands Inventory Management Systems (SLIMS), Land Division's computerized land/property management system currently being upgraded, as well as the Public Land Trust Information System (PLTIS), an online inventory of those lands held outside of SLIMS (agencies with authority to acquire lands and hold title) and current dispositions – such as those with the Department of Transportation, the University of Hawaii, the Hight Technology Development Corporation, the Hawaii Community Development Corporation, etc. Currently the PLTIS is available to Hawaii State employees, but Land Division has dedicated SLDF monies to an upgrade that will provide access to the PLTIS to the general public.

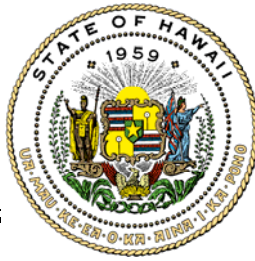
The revenues deposited into the SLDF support a number of the Department's resource protection and public health and safety programs, including covering the entire annual operating budget for the Land Division, the Office of Conservation and Coastal Lands, the Dam Safety Program, and the Mineral Resources Program. The revenues also fund other positions within the Department such as five (5) positions within the Commission on Water Resource Management, and provide funding support to the Division of State Parks and various resource protection programs administered by the Division of Forestry and Wildlife such as the protection of threatened and endangered species, removal of invasive species, wildland firefighting and lifeguard services.

Furthermore, Land Division has committed SLDF monies to review certain assets in order to potentially improve their performance. The Banyan Drive leases in Hilo generate approximately \$1 million in rent annually. Since 2014, the Department has spent approximately \$524,500 from the SLDF on consultant services and studies dedicated to the public lands at Banyan Drive.¹ The Kanoelehua Industrial Area in Hilo generates approximately \$2.6 million in rent annually. The Department has spent approximately \$138,000 on planning studies for the Kanoelehua Industrial Area since 2014.²

Thank you for the opportunity to comment on these measures..

¹ The studies included a market study on tourism to determine if the area could support a new hotel, as well as studies on sea level rise, the viability of master leasing multiple parcels in the area, the remaining useful life of existing structures on expiring lease premises, a more in-depth architectural study of the existing structures to determine whether they should be demolished or rehabilitated, a study on demolition costs and permitting required for demolition. Additional consultant services included professional engineers to review the renovation plans for the Grand Naniloa Hotel.

² The studies on the Kanoelehua Industrial Area included a study to determine market demand for industrial-commercial uses in the Hilo area for near- and long-term, a lot consolidation analysis to identify opportunities for consolidating and resubdividing some lots to maximize functionality and value for the Department, and a master lease feasibility analysis to determine whether to place the leases under a single master lease. See <http://dlnr.hawaii.gov/ld/kanoelehua-and-banyan-drive-studies/>.



HOUSE COMMITTEE ON WATER & LAND
The Honorable Ryan I. Yamane, Chair
The Honorable Chris Todd, Vice Chair

**H.C.R. NO. 84, REQUESTING A MANAGEMENT AUDIT OF THE
SPECIAL LAND AND DEVELOPMENT FUND AND THE OPERATING
BUDGET OF THE LAND DIVISION OF THE DEPARTMENT OF LAND
AND NATURAL RESOURCES**

**H.R. NO. 69, REQUESTING A MANAGEMENT AUDIT OF THE SPECIAL
LAND AND DEVELOPMENT FUND AND THE OPERATING BUDGET
OF THE LAND DIVISION OF THE DEPARTMENT OF LAND AND
NATURAL RESOURCES**

Hearing: Wednesday, April 4, 2018, 11:20 a.m.

The Office of the Auditor **has no position** regarding H.C.R. No. 84 and H.R. No. 69, which require the auditor to “conduct a management audit of:

- (1) The special land and development fund administered by the Department of Land and Natural Resources using the criteria set forth under section 37-52.3, Hawai‘i Revised Statutes; provided that the audit also covers the income and expenditures of the fund for the five-year fiscal period from 2014 to 2018; and
- (2) The operating budget of the Land Division of the Department of Land and Natural Resources to determine whether efficiencies and savings have been realized by the change in the means of financing the division’s operating budget from general funds to special funds; and

BE IT FURTHER RESOLVED that the Auditor is requested to submit a report of findings and recommendations, including any proposed legislation, to the Legislature not later than twenty days prior to the convening of the Regular Session of 2019[.]”

However, we offer the following comments regarding the resolutions.

We note that our office is currently performing performance audits of the Special Land and Development Fund and Land Conservation Fund. While our audit standards do not allow us to discuss specifics of an audit prior to the release our final report, we do believe that several, if not most, of the areas of concern mentioned in H.C.R. No. 84 and H.R. No. 69 will be examined through the ongoing audit. We anticipate our final reports regarding the ongoing audits of the

House Committee on Water and Land

H.C.R. No. 84 and H.R. No. 69, Requesting a Management Audit of the Special Land and Development Fund and the Operating Budget of the Land Division of the Department of Land and Natural Resources

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Special Land and Development Fund and Land Conservation Fund being delivered to the Legislature no later than twenty days prior to the convening of the regular session of 2019.

Thank you for considering our testimony regarding H.C.R. No. 84 and H.R. No. 69.

HCR-84

Submitted on: 4/2/2018 12:09:18 PM

Testimony for WAL on 4/4/2018 11:20:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cathy Goeggel	Animal Rights Hawai'i	Support	No

Comments:

HCR-84

Submitted on: 4/2/2018 1:44:00 PM

Testimony for WAL on 4/4/2018 11:20:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Natalie Parra	Keiko Conservation	Support	No

Comments:

HCR-84

Submitted on: 4/3/2018 7:02:18 AM

Testimony for WAL on 4/4/2018 11:20:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	the Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

HCR-84

Submitted on: 4/2/2018 12:44:54 PM

Testimony for WAL on 4/4/2018 11:20:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary James	Individual	Support	No

Comments:

HCR-84

Submitted on: 4/2/2018 10:33:10 PM

Testimony for WAL on 4/4/2018 11:20:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
M. Markl	Individual	Support	No

Comments:

Hello Chair(s) And Committee Members:

Absolutely, it is important to do thorough audits for total transparency.

Thank you.