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# A BILL FOR AN ACT

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RELATING TO HAWAIIAN AFFAIRS.

**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 Hawaiians, it  
13 must enact another legislative measure in light of the  
14 information, data, and facts provided to the legislature by  
15 state agencies since the enactment of Act 178, Session Laws of  
16 Hawaii 2006, more than a decade earlier.

17 Act 226 was enacted to:

- 18 (1) Increase the office of Hawaiian affairs' interim  
19 annual share of the income and proceeds of the public  
20 land trust beginning in fiscal year 2022-2023 from  
21 \$15,100,000 to \$21,500,000;



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

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

7           Conference Committee Report No. 250-22 filed with S.B. No.  
8   2021, S.D. 1, H.D. 2, C.D. 1, which would later be enacted as  
9   Act 226, further found that "the past-due sum owed to the Office  
10   of Hawaiian Affairs for any and all underpayments of the pro-  
11   rata portion of the income and proceeds of the Public Land Trust  
12   for the period from July 1, 2012, to June 30, 2022, is  
13   \$64,000,000, and that this sum is intended to represent the  
14   cumulative impact of an inflation adjustment for that period."

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

20          The legislature finds that Act 54, Session Laws of Hawaii  
21   2011 (Act 54), mandates the establishment of a comprehensive





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

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

- 16 (1) Account for all ceded lands in the public land trust  
17 inventory;
- 18 (2) Account for all income and proceeds from the public  
19 land trust; and
- 20 (3) Subsequently determine the twenty per cent pro rata  
21 share of income and proceeds from the public land



1 trust due annually to the office of Hawaiian affairs  
2 for the betterment of the conditions of Native  
3 Hawaiians.

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

12 The working group has been informed that the last financial  
13 review by an outside independent accounting firm of the pro rata  
14 share was the fiscal year 2015-2016 financial review initiated  
15 by the office of Hawaiian affairs. At the time, the financial  
16 review identified total gross receipts from historically claimed  
17 public land trust revenue sources in the minimum amount of  
18 approximately \$394,322,163 in the fiscal year 2015-2016. Twenty  
19 per cent of this gross amount is approximately \$78,900,000. The  
20 working group found that there has been no new financial review



1 since the 2015-2016 financial review. The 2016 financial review  
2 cost \$145,404.

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

13 The working group has been informed that work began on the  
14 process to procure a consultant for the information system after  
15 the enactment of Act 54 and that the development of the  
16 information system began in 2012 and the information system was  
17 launched in October 2018. Act 54 appropriated up to \$360,000  
18 from a land conservation fund for the work by an outside  
19 independent consultant. The final amount for the creation of  
20 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 of  
9 whether they hold title to that land or not and regardless of  
10 whether they were revenue generating. This includes all  
11 encumbrances, including leases, permits, right-of-entries, and  
12 easements. The goal was to have all encumbrances issued over  
13 state-owned and county-owned land represented in the information  
14 system.

15       As with the reporting to the department of land and natural  
16 resources on public land trust revenues, the information system  
17 is also based on self-reporting by state agencies and the  
18 counties. There are some disclaimers about the information.  
19 The department of land and natural resources has encouraged all  
20 state and county departments to regularly update data in the  
21 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 \$485,786, 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:

4 (1) Amend the membership and responsibilities of the  
5 public land trust working group established pursuant  
6 to Act 226, Session Laws of Hawaii 2022;

7 (2) Require the public land trust working group to submit  
8 four reports to the Legislature, as follows:

9 (A) By August 1, 2026, a first interim report  
10 regarding the public land trust inventory;

11 (B) By December 1, 2026, a second interim report  
12 regarding Act 178 financial reporting and  
13 accounting;

14 (C) By June 1, 2027, a preliminary draft settlement  
15 of the income and proceeds from the pro rata  
16 portion of the public land trust, which may  
17 consist of a monetary amount, real property, or  
18 in-kind assets; and

19 (D) By October 1, 2027, a final report that includes  
20 a final draft settlement;



(3) Require the State, office of Hawaiian affairs, and other applicable parties to begin preliminary negotiations regarding the final draft settlement by October 1, 2027; and

(4) Appropriate funds to the legislative reference bureau to retain independent third-party professionals, subject to matching funds from the office of Hawaiian affairs.

SECTION 2. Act 226, Session Laws of Hawaii 2022, is amended by amending section 3 to read as follows:

"SECTION 3. (a) There is established a working group to:

(1) Account for all ceded lands in the public land trust inventory;

(2) Account for all income and proceeds from the public land trust; and

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





1 (b) The working group shall be ~~[comprised]~~ composed of  
2 ~~[six members, three of whom three shall be]~~ the following:

3 (1) Two members appointed by the governor ~~[and three of~~  
4 ~~whom shall be]~~;

5 (2) Three members appointed by the office of Hawaiian  
6 affairs board of trustees~~[r]~~;

7 (3) One member appointed by the president of the senate;  
8 and

9 (4) One member appointed by the speaker of the house of  
10 representatives.

11 (c) The working group, with the cooperation of any  
12 department or agency that uses, manages, or receives income,  
13 proceeds, or any other funds derived from the public land trust,  
14 shall prepare and submit a report of its findings and  
15 recommendations, including any proposed legislation and the  
16 amount it determines for the annual amount of the twenty per  
17 cent pro rata share of income and proceeds from the public land  
18 trust, to the legislature.

19 (d) The working group shall oversee and be responsible for  
20 the completion of the following tasks, which shall be carried



1 out with the support of independent third-party professionals  
2 retained to fulfill the objectives of the working group:

3 (1) Regarding the public land trust inventory:

4 (A) Document the current data collection and  
5 reporting processes;

6 (B) Assess the accuracy, completeness, and  
7 reliability of land parcels in the public land  
8 trust information system;

9 (C) Determine whether the public land trust  
10 information system complies with and fulfills the  
11 purposes of Act 54, Session Laws of Hawaii 2011;

12 (D) Identify issues and gaps in reporting on public  
13 land trust inventory and encumbrances across  
14 federal, state, and county agencies;

15 (E) Assess the accuracy of the reporting of parcel  
16 trust status; and

17 (F) Recommend improvements to reporting consistency,  
18 land inventory accuracy, encumbrance reporting,  
19 and assignments of tax map key numbers to all  
20 parcels; and



1        (2) Regarding section 5 of Act 178, Session Laws of Hawaii  
2        2006, financial reporting and accounting:

3        (A) Document the current processes as to how the data  
4        is being collected and reported;

5        (B) Validate the accuracy, completeness, and  
6        reliability of the reporting of revenue data  
7        derived from the public land trust;

8        (C) Identify issues and gaps in reporting revenues  
9        across state agencies;

10       (D) Assess the accuracy of the reporting of parcel  
11       trust status; and

12       (E) Recommend improvements to financial tracking and  
13       reporting consistency for all parcels.

14       (e) In addition to the report required under subsection  
15 (c), the working group shall submit to the legislature:

16       (1) No later than August 1, 2026, a first interim report  
17       with findings from the preliminary public land trust  
18       inventory required pursuant to subsection (d) (1);

19       (2) No later than December 1, 2026, a second interim  
20       report with findings from the preliminary financial  
21       reporting and accounting related to Act 178, Session



1 same sum or so much thereof as may be necessary for fiscal year  
2 2026-2027 to retain independent third-party professionals for  
3 the purposes of Act 226, Session Laws of Hawaii 2022, as amended  
4 by this Act; provided that no funds shall be made available  
5 under this Act unless the office of Hawaiian affairs provides  
6 matching funds for the purposes for which this sum is  
7 appropriated; provided further that in obtaining services of the  
8 independent third-party professionals, the legislative reference  
9 bureau shall be exempt from chapter 103D, Hawaii Revised  
10 Statutes.

11 The sums appropriated shall be expended by the legislative  
12 reference bureau for the purposes of this Act.

13 SECTION 5. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 6. This Act shall take effect on July 1, 3000;  
16 provided that section 4 shall take effect on July 1, 2025.



**Report Title:**

Public Land Trust Working Group; OHA; Public Land Trust;  
Inventory; Financial Reporting and Accounting; Reports;  
Settlement; LRB; Appropriation

**Description:**

Amends the membership and responsibilities of the Public Land Trust Working Group established under Act 226, SLH 2022. Requires the Working Group to submit four reports to the Legislature: by 8/1/2026, a first interim report regarding the public land trust inventory; by 12/1/2026, a second interim report regarding Act 178, SLH 2006, financial reporting and accounting; by 6/1/2027, a preliminary draft settlement of the income and proceeds from OHA's pro rata portion of the public land trust; and by 10/1/2027, a final report that includes a final draft settlement. Requires the State, OHA, and other applicable parties to begin preliminary negotiations regarding the final draft settlement by 10/1/2027. Appropriates funds for the Legislative Reference Bureau to retain independent third-party professionals for the Working Group and requires matching funds from OHA. Effective 7/1/3000. (HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

