

**ORGANIZATION  
and  
ADMINISTRATION  
of the  
HAWAIIAN  
HOMES  
PROGRAM**

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## PREFACE

This report is the first working paper in a study of the Hawaiian Homes program being conducted by the Legislative Reference Bureau pursuant to House Resolution 87, Budget Session of 1962. The text of the resolution is included as Appendix A to this report.

This working paper concentrates on (a) the organization and operation of the Department of Hawaiian Home Lands; (b) the physical and financial resources of the department; and (c) the administration of homestead programs. A summary of present problems and possible solutions concludes the study. Since the general discussion can best be understood within a context of the original Act, a summary of the Act has been included as Appendix B. Other working papers concerned with such topics as the legal basis for the program, administration of Hawaiian Home lands, sociological aspects of the program, and the Maori Affairs program in New Zealand will follow. A final report will include a summary of Bureau findings. It should be noted at this time that the constitutionality of the Hawaiian Homes Commission Act of 1920 is not a subject within the purview of this study as defined by the Legislature or by the Bureau.

Certain limitations must be expressed which concern the nature of a working paper. Since the working paper itself is considered to be only a part of a much broader study, its data and conclusions must also be understood in that context. It is quite possible, therefore, that many of the suggestions which can be inferred from this report may have to be modified or reconsidered in the light of further information and data not yet available.

We acknowledge with appreciation the assistance rendered the Bureau by the Hawaiian Homes Commission and its staff and by the many homesteaders, legislators, former commissioners, and other interested individuals who have furnished us with information, analyses, and materials on the administration and organization of the program.

Tom Dinell  
Director

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CHAPTER I

**ORGANIZATION AND OPERATION  
OF THE DEPARTMENT**

The Department of Hawaiian Home Lands, headed by the Hawaiian Homes Commission, was established by the Hawaiian Homes Commission Act of 1920, and is provided for in the Hawaii Admission Act and in the Constitution of the State of Hawaii. Both the Act and the state Constitution specify that the Hawaiian homes program shall be administered by a plural board. The Hawaiian Homes Commission Act and the Reorganization Act of 1959 also both provide that the plural board shall in turn select an executive officer who shall serve at the board's pleasure.

The Hawaiian Homes Commission

The commission, as the plural board is termed, is responsible for the administration of the Hawaiian homes program. Its members serve on a part-time basis only, receiving no compensation other than reimbursement for necessary expenses related to their duties. Commissioners are appointed by the governor and confirmed by the senate for four-year overlapping terms.

There are seven members; four of these are from Oahu, one each from Hawaii, Maui, and Kauai counties. By law four of the commissioners must have at least 25 per cent Hawaiian blood. Almost all of the commissioners in recent years have been part-Hawaiians. Generally, the tendency during recent years has been to appoint businessmen of Hawaiian or Caucasian extraction as commissioners.

The Chairman

The chairman, who is selected by the governor, is responsible for presiding over commission meetings and for approving and signing all vouchers and assignments of funds received under pineapple or grazing contracts. The chairman also signs all licenses, leases, loan contracts, agreements with other governmental agencies, and resolutions approved by the commission. The commission selects its own vice-chairman, who in case of the absence or illness of the chairman assumes the latter's functions.

## Committees

The revised policy manual authorizes the chairman to appoint ad hoc committees and to prescribe their powers and duties. He is also given the authority to appoint two standing committees, the finance committee and the selection committee.

The finance committee is to consist of one member who shall be knowledgeable about the financial condition of the department and its several funds. The committee is to be consulted concerning the general budget of the department and is to examine all financial reports prior to their submission to the full commission for approval. During the period of the present commission, no official finance committee had been appointed. The chairman of the commission personally acted in this capacity, frequently holding meetings as often as once a week. He gradually gave this up because of the time it consumed.

The selection committee, which is operative, consists of the neighbor island commissioners plus one commissioner from Oahu. Its duty is to review the adequacy of the priorities established for awarding leases and loans.

## Meetings

The present commission has been meeting approximately once a month for a full day except on the neighbor islands when a business meeting combined with inspections and hearings may take longer. Some years ago it met for two days or held meetings more frequently, often as much as once a week. Commissions in recent years have preferred to meet less often except during periods of unusual workload; the commission before the present one reducing its meetings to as little as two to three hours.

Monthly meetings are held in different major geographical areas. Thus, when possible, eight meetings are held on Oahu, and one each on Hawaii, Kauai, Maui and Molokai each year. In this way each area is covered at least once per year, affording homesteaders an opportunity to meet the entire commission, and giving the commission an opportunity to gain greater insight into local problems. It is the practice to provide at least one "open" meeting during each visit to the neighbor islands. This is intended to be merely a "question-answer" period between commission and homesteaders, but has led to rather vigorous discussion of policy questions.

At the present time the agenda for the meeting is prepared by the staff under the direction of the executive



officer and is normally in the hands of the commission a week prior to the commission meeting. It is usually a weighty document containing summaries of cases, exhibits and other supporting data in addition to lists of matters to be considered. Minutes from a meeting are normally mailed to the commissioners about a week after the meeting, giving approximately three weeks for the commissioners to consider additions and corrections. Minutes, like the agendas, are usually quite detailed.

### Role of the Commission

The Act does not define with any precision either the purposes or the functions of the commission. It limits itself to providing for the leasing of land to qualified Hawaiians, and authorizes the commission to make loans for agricultural purposes or home construction and repair. Beyond this, the Act only authorizes "activities having to do with the economic and social welfare of the homesteaders". For this reason the commission has through the years served as a planning body, policy-maker, and routine administrator. An examination of the past records of the Hawaiian Homes Commission, as well as an earlier study made by the Legislative Reference Bureau,<sup>1</sup> reveals that a surprisingly large amount of time has been spent by the commission in what might be considered purely administrative areas. While observation of the operation of the present commission does not substantiate some of the previous strong criticisms raised against this involvement, the present commission still involves itself in a considerable amount of non-planning and non-policy-making activity. While there was once considerable criticism of the commissioners for by-passing the executive officer in giving directions to staff members, there is little evidence that the present commission has indulged in this practice. Finally, the commission does not seem to be the repository for complaints and suggestions from the staff to the degree that it apparently was in 1953.

As in 1953, the organization of the current commission encourages the involvement of commissioners in routine administration. It is the practice of the commission to recognize "geographical areas of responsibility"

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<sup>1</sup>In the 1953 Legislative Reference Bureau report, it is pointed out that the commission hired all personnel for both Oahu and the neighbor islands. See Robert M. Kamins et al., The Hawaiian Homes Commission (Legislative Reference Bureau, University of Hawaii, January 1953).

which coincide with the "constituency" of the various commissioners. The commissioner from county X is invariably called upon to make a motion for any action concerning that particular county. This fragmentation of responsibility continues to raise problems concerning the over-all goals of the institution. One change, however, is evident. While formerly it was within the power of a commissioner to do the selecting of new homesteaders from his area, this selection is now in fact done by the selection committee.<sup>2</sup>

A review of the past and present suggests that the commission participates somewhat less in routine administration than it formerly did. Close observation of the present commission's activities, however, suggest that the commission does not spend an increased amount of time in policy-making questions of a long-range nature. Evidence for this becomes clearer when it is noted that most of the same questions of unsettled or unstated policy which existed in 1953 still exist today in virtually the same form.

At the present time the Hawaiian Homes Commission devotes the bulk of its time to the following program areas:

1. Selection of eligible persons to be awarded house-lots, agricultural lands, and ranch lands;
2. Lending money for the construction of new homes, repair of older homes, and for agricultural use (loan fund);
3. Development, operation, and maintenance of non-revenue producing improvements (development fund);<sup>3</sup>

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<sup>2</sup>This committee also existed in name at the time of the 1953 Legislative Reference Bureau report. At that time, however, it did not meet and in practice the individual commissioner made the selections for his own island.

<sup>3</sup>Non-revenue producing improvements include such necessary facilities as roadways and sewer systems. Such activities frequently require some liaison with county governments, both prior to and following the opening of an area for settlement, particularly in meeting local requirements for zoning or roadway specifications.

4. Development, operation, and maintenance of revenue-producing improvements (operating fund).<sup>4</sup>

#### The Departmental Staff

The executive officer,<sup>5</sup> who is appointed by the commission to serve at its pleasure, is the only staff position specifically provided for in the Hawaiian Homes Commission Act. The Act provides that other clerical assistants may also be appointed by the commission. The actual policy followed in the selection of other departmental personnel, however, has varied from commission to commission. Today it appears that all personnel on the staff are under the direction of and responsible to the executive officer. He selects new personnel subject to the approval of the Commission. All of the appointments made by Mr. Mahikoa were approved by the Commission.

#### The Executive Officer

The role of the executive officer understandably is not completely clear. He is vested with administrative authority by the commission which, in the last analysis, is an administrative board, responsible for all administrative decisions, and therefore encouraged to make or at least to review all administrative decisions. As a result the commissioners have not easily released authority, even while recognizing that they have neither the time nor the inclination to make all decisions. There is a general belief that some kind of policy-administration division between the commission and its executive officer is desirable, but there is little clarity as to what should be included under which. Thus, most of the present commissioners feel that selection of personnel should be a

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<sup>4</sup>The operating fund provides moneys with which to provide services and to carry on activities on a self-supporting basis. The necessary services are first determined, then a program is set up to provide such services on a self-supporting basis when possible. Water would be a major example of such an activity.

<sup>5</sup>The executive officer during the period of research on this report was Mr. Ainsley K. Mahikoa. In recent years Abraham Piianaia (1957-1961), David Bent (1953-1957), Daniel Ainoa (1949-1953), and Julian Yates (1940-1949) have held this position.

function of the director, yet some of the past commissioners emphatically disagree. The executive officer, on the other hand, continually faces the dilemma of whether or not he is overstepping his bounds.

Among the recognized functions of the executive officer are the following: liaison between the commission and the departmental staff; commission representative at the governor's cabinet meetings and with the executive departments; and commission representative at legislative hearings and community meetings. All of these functions have developed through time and usage. The current salary of the officer, set by the commission, is \$17,587 per annum.

#### Organization of the Departmental Staff

The departmental staff, consisting of 43 people, is organized into two primary divisions plus the project offices, as a review of Chart 1 indicates.

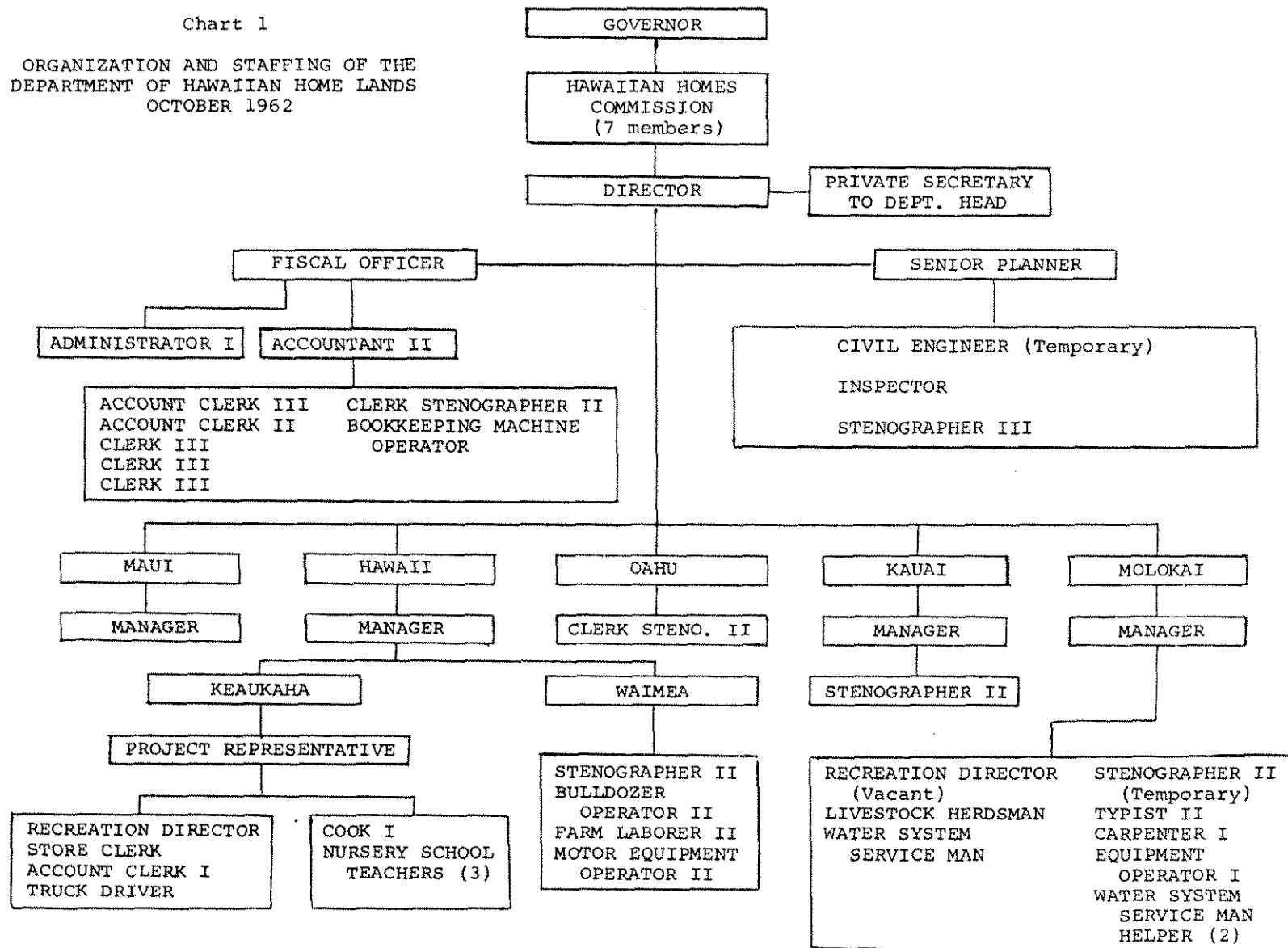
The planning division, headed by a senior planner, is responsible for: (a) studies of future use of lands under departmental jurisdiction; (b) recommendations for present and future use of the lands in conjunction with the projected plans of the state and private enterprise; (c) recommendations of policies, standards and procedures for leasing and maintenance of tracts and facilities; and (d) supervision of maintenance and construction in homestead areas. The head of this division, for all practical purposes, also serves, together with the fiscal officer, as project manager for Oahu. There are four positions in this division, one of them temporary.

The fiscal division, headed by a fiscal officer, is responsible for fiscal, personnel, and administrative services for the entire department. There are ten positions in this division.

The four neighbor island project managers--Hawaii, Kauai, Maui, and Molokai--report directly to the executive officer. Each is responsible for administering commission policies in his area so as to assure proper maintenance of land and facilities and payment of charges. The work of the manager includes review of and recommendations upon applications for leases and loans and supervision of construction and services provided in homestead areas. The managers also concern themselves with the development of community facilities and services.

The secretary to the department head serves under the executive officer but she also serves as secretary to the

Chart 1  
ORGANIZATION AND STAFFING OF THE  
DEPARTMENT OF HAWAIIAN HOME LANDS  
OCTOBER 1962



commission and thus is responsible to that body as well.

### The Role of the Senior Planner

The senior planner has many functions, one of which is to serve as a right-hand man for the executive officer. His background is expected to equip him to deal effectively with long-range issues. In actual practice, he also serves, together with the fiscal officer, as a project manager for Oahu and as a "trouble-shooter" for all the islands. The present senior planner, a very knowledgeable staff member, occupies a position, however, which serves as a depository for many functions, not all of which are administratively compatible. Even with a temporary engineer available,<sup>6</sup> the job requires one person to function in too many different areas simultaneously. A considerable amount of time (about one-third) is spent examining homesites or talking with loan or lease applicants. In fact, very little time is left for planning. The addition of a new position for Oahu, that of "inspector" has come about because of a recognition of this overload on the senior planner. It is anticipated that much of the "police work", i.e. enforcing rules regarding minor infractions and checking progress of construction, will be shifted to this position, though early indications are that the new position has not yet lessened the planner's burden.

Oahu is the only major island without a project manager to care for the immediate problems concerning Oahu alone. This has tended to place an additional burden on the senior planner since much of the minutiae of everyday administration has come his way. His involvement in the question of who should have a repair loan or a loan for rebuilding a house seem particularly good examples of this. It has been maintained that a project manager is necessary for Oahu as well as the neighbor islands.

Most of the contacts with other governmental agencies are made by the planner. Departments most frequently contacted by him are Accounting and General Services, Land and Natural Resources, Attorney General, Transportation, and the several county governments. He is most often concerned with questions of land, rights of way, and water. Service departments such as Health or Social Services are contacted much less frequently, and then generally at the behest of the other department.

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<sup>6</sup>He also receives considerable survey help from the Department of Accounting and General Services.

### The Role of the Fiscal Officer

The present fiscal officer has served the department for ten years, the last two of which have been in the present position. His major jobs consist of being informed about the status of the four funds, considering the ability of loan or lease applicants to meet financial obligations, and making certain that financial obligations of and to the department are met. He also works closely with the executive officer in preparing the departmental budget and presenting it to the governor and the legislature. He has also been appointed project manager for Oahu, in addition to his other duties, but necessarily must share this function with the senior planner.

There is a considerable degree of indirect contact between the Department of Land and Natural Resources and the Department of Hawaiian Home Lands. Land and Natural Resources collects all moneys due from cane leases and water licenses, and deposits the Hawaiian Homes share of this amount into the Hawaiian Homes loan fund. These accounts are then checked by the assistant to the fiscal officer who draws a voucher transferring the appropriate amount to the development fund.

The only position in the fiscal division which seems slightly unclear as to function is that of the administrator. The incumbent today is unquestionably able and knowledgeable, but her duties have been frequently shifted, leading to considerable uncertainty.

### The Role of the Project Managers

There are five major geographical divisions of the Hawaiian Homes Department, representing Oahu, Hawaii, Molokai, Maui, and Kauai. The Maui office was only recently established. With the sole exception of Oahu, each is managed by a project manager who handles the bulk of day-to-day contact with homesteaders. The position is a critical one, providing the essential link between the department and the homesteader. The homesteaders themselves feel much in common with their project manager. Oahu homesteaders, the only ones without a manager, emphasized that no one in the central office seems primarily concerned with their problems--the executive officer confines himself mainly to the central office, and the senior planner and fiscal officers are involved in other matters. Project managers have an opportunity to concentrate on the problems of particular areas and to build up much information and understanding of these problems and thus are in an excellent position to implement the program.

## Personnel Management

The problem of personnel management in the Department of Hawaiian Home Lands is complicated by strong traditions which have given the department a non-professional and an "ethnic" character.

### Exemption from Civil Service

The Hawaiian Homes staff is recruited outside the civil service system. The lack of civil service in the department is based on long tradition rather than a legal opinion or legislative mandate. On a number of occasions, most recently in 1957, the question has been put to a vote by the staff, consistently resulting in a rejection of civil service. Present opinion indicates a more favorable climate for its adoption.

### Staff Selection

Viewing staff recruitment historically, a major prerequisite for securing a position in the department has been a part-Hawaiian ethnic composition and, in the cases of employment on the neighbor islands, a local background. On a number of occasions, friendship with a commissioner has been of considerable importance. While no statistics have been compiled, knowledgeable opinion in government and the general community seems to result in these generalizations:

1. Even without civil service, office people have had considerable job security. Long terms of tenure are the rule rather than the exception. There are major exceptions to this in the cases of the executive officer and the senior planner, with the executive officer much the more vulnerable of the two.
2. A high average level of formal education is less common among administrative and policy-making personnel of this department than in most departments in the state.
3. A closer identification with the department by its employees exists in Hawaiian Homes than in other departments as well as a greater fear of outside interference. This identification does not seem to carry over into an identification with the recipients of the program. Many legislators and commissioners, for example, are more concerned with the problems of the homesteader than many staff members seem to be.



### Ethnic Homogeneity in the Department

There is strong support for ethnic homogeneity among some of the departmental personnel, but the concept does not have extensive support outside the department. While a number of the employees in the department expressed a desire to hire only applicants with Hawaiian blood, they overwhelmingly felt that the hiring of a non-Hawaiian engineer in the Honolulu office was acceptable. Neighbor-island personnel seemed considerably less concerned with the question of ethnic background.

The precise depth of this belief is difficult to assess. No responsible public official or community leader spoke out for ethnic restrictions on the staff. By far the stronger feeling was for some relaxing of these criteria in order to guarantee hiring the best able. Homesteader reaction to this particular problem seemed to relate somewhat to their general satisfaction with the present commission--the more satisfied they were with the commission, the more strongly they felt that only Hawaiians should be employed in the department. Homesteaders critical of the commission or the department, constituting a fairly substantial total of those interviewed, felt that personnel policy should aim for the best qualified by reason of training and ability rather than for the most--obviously Hawaiian.

### Classification and Salary Determination

The failure of the department staff to choose civil service status has led to a rather vague arrangement in which there is an attempt to utilize some of the civil service machinery. The department presently uses civil service titles and salary ranges for its personnel, but the actual selecting of individuals, until recently, has been entirely a departmental function. When a new position is established by the department, its functions are first described and then the Department of Personnel Services classifies it and assigns it to an appropriate salary range. Promotion within the department seems most often to be based upon seniority rather than merit, though the individuals very often may in fact be qualified for their new positions.

### Support for and Opposition to Civil Service

The civil service question is particularly complicated. A wide degree of support for the professionalization of the department exists in the government and in the general community, and has considerable support within the

department. It should be pointed out, however, that support for civil service within the department tends to polarize at the top and bottom; newcomers and people in higher positions both expressed interest in a civil service system that might guarantee a constant flow of qualified people into the department. The opposition to such a change tends to concentrate itself in the middle ranks within the staff, members of which offer three primary reasons for their opposition:

1. The department functions best with Hawaiians in the various positions. Since Hawaiians have not traditionally done very well on competitive civil-service examinations, a civil-service system probably would spell the end of preference given to this particular ethnic group.
2. The present staff is quite well-qualified to do its job, but would be unable to compete against the better-educated, better-trained opposition to be met in competitive examinations.
3. Since the program, by law, is intended to benefit Hawaiians, the departmental staff should also reflect this intent.

The plea of inability to compete may not be a valid one for a government servant to make, unless the competition is irrelevant to excellence of performance on the job, for this argument misses the more important point that the department is intended to serve its recipients (the homesteaders) within the more general context of the good of the entire community. This is particularly true if one were to inquire into the number of Hawaiians or part-Hawaiians in other areas of government. There are many Hawaiians and part-Hawaiians in responsible positions who have made the grade via competitive exams in civil service and the merit system. One previous executive officer believes that many highly qualified and trained Hawaiians and part-Hawaiians would seek employment with the commission if such employment were made available under the merit system.

#### Department Goals and Staff Qualifications

The questions concerning the competence or incompetence of the current staff too frequently are asked out of the context of the immediate and long-range plans and possibilities of the department. In other words, the only way by which a satisfactory evaluation of the present staff can be made is to know more concretely the particular plans which the department has for future operations.

The present staff is most certainly not sufficiently trained to deal with many of the types of problems which exist in homestead areas, but it is, mainly through on-the-job training gained through long experience, quite capable of dealing with ordinary administrative problems coming to the office. All in all, the present staff has a considerable number of constructive ideas in the policy area, though little opportunity has been given for these ideas to rise through the hierarchy. This presence of ideas should come as no surprise, largely due to the long experience in dealing with the problem which so many of the staff have.

### External Relations

The department's relations with the legislature, other governmental units, and its recipients are of major importance in carrying out its program.

### Political Pressures

There can be little question that the emphasis on political pressure is strong within the department. This is partly because of political activity which took place during the campaign, but also is a result of everyday forces. Though there was no indication from the commissioners or from the majority of staff members that they should try to help a particular candidate through action as commissioners or staff members, there were staff decisions which were delayed, probably without the commission's knowledge, because of the fear that the issues would become involved in the election campaign as well as other politically-oriented staff actions. The critical point is not that the staff does these things, but that past relations with legislatures and governors makes them feel that they should or must do these things. For this reason the most highly vulnerable positions of the staff are precisely those calling for the most independent judgement and professional excellence--the senior planner and the fiscal officer. These particular positions are caught in a pull between many kinds of forces, the most compelling of which inevitably becomes personal security. By the very nature of their jobs, they are compelled to make recommendations on all loans and lease applications and, unquestionably, are not particularly secure in so doing. If they succumb to the natural pressures coming from immediate political pressures, the job they are asked to do (a long-range one) cannot be done. If they balk at these pressures, they do so at great personal risk.

### Relations with the Legislature

Criticisms of the legislature were made by some staff members, concentrating essentially on the following:

1. Insufficient funds from the legislature for the program.
2. Too much legislative interference in department business on behalf of the homesteaders.
3. Too much opposition to the program or too little financial support because of the ethnic composition of the legislature.
4. The legislature was responsible for the existence of, or the lack of the existence of, the possibility of civil service status for the department's staff.

The criticisms directed against the legislature were examined in some detail. It is worth pointing out that the charges of "politics" were almost never articulated in terms of political parties. No political party was asked to bear the burden of the program's difficulties, even though many of the employees have considerable partisan affiliation. The more serious charge of ethnic opposition, however, was raised to a high degree by past and present staff members. With few exceptions, commissioners, legislators, or interested citizens felt this to be an inaccurate assessment of the role of the legislature. The feeling that the legislature was antagonistic was found occasionally in the homestead areas, especially on Oahu, but seems to be related more to departmental lore than to any facts. It should certainly be pointed out that those legislators who themselves come from part-Hawaiian ethnic stock are usually most vehement in dismissing these particular charges.

The question concerning the sufficiency of funds available for departmental use cannot be answered in a study such as this. In the final analysis that question is a political one, to be answered by the legislature and the governor, within a political context.

### Relations with Technical and Social Services

A large variety of technical and social services have been encouraged periodically by the department. At the present time, however, these services are not a part of a general departmental program, but are dependent upon the supervision, interests, and desires of the various

project managers. Particularly vigorous project managers, examples of which can be found on Hawaii and Molokai, have encouraged a greater number of these services. A brief compilation of some present activities follows.

Hawaii: Department of agriculture, Parker Ranch and Cattlemen's Association; U. S. Soil Conservation Service; and University of Hawaii Agricultural Extension Services.

Molokai: Department of agriculture; U. S. Soil Conservation Service; Land Study Bureau; and Libby and California Packing Company.

Kauai: Department of agriculture; and various plantations.

At present there are no arrangements for provision of such advice on either Oahu or Maui, perhaps a reflection of the absence of a project manager on the former, and the very recent assignment of a project manager to the latter.

During an earlier period, particularly between 1922-1925 on Molokai, the territorial board of agriculture was asked to participate in a tree-planting program within the intent of section 208 of the Act. Records are not available, but recollections of individuals describe the experiment as a failure because of homesteader indifference and commission failure to invoke its authority. Apparently the board of agriculture enthusiastically participated, actually donating all the trees to the commission.

Social services are mainly a product of activity of such organizations as the department of social services, Liliuokalani Trust and Lunalilo Home. Cooperation with these agencies and institutions, at this time, primarily occurs when the Hawaiian Homes Department is called into a case by others. There is no on-going social adjustment program which the department maintains or officially encourages.

All of the technical and social services mentioned are at a minimum except in Waimea, Hawaii. The major expenditure is the time of present employees, with no funds being provided for this type of program or work. The greater extent of the technical and social services in Waimea is almost entirely due to the individual efforts of the project manager on Hawaii, who has contributed much personal time and knowledge.

The question of cooperation and communication with other agencies probably emphasizes the importance of the backgrounds of the executive officer and the commissioners.

Those commissioners with knowledge of socio-economic problems of contemporary Hawaii, including those of the Hawaiian segment of the population, very likely are in the best position to understand the problems relevant to the Hawaiian Home Lands and the homesteaders.

#### Experiences of Other Governmental Units

A brief attempt was made to examine the success or failure of other government units in dealing with Hawaiians or part-Hawaiians as clients. Among the different units questioned were the Department of Health, the Honolulu Police Department, and the Hawaii Housing Authority.

The Department of Health, with its broad range of state-wide functions and trained personnel operating in a number of capacities, offered one of the best opportunities for comparisons. A number of degrees of cooperation could be measured, since the programs were voluntary as well as mandatory.

The Department of Health was asked to supply information concerning problems which were particularly concentrated in homestead areas and which might, in part at least, be attributable to the ethnic make-up of the area. While the results of the request are by no means comprehensive, there was a consistency of reactions which may be indicative of the reactions and experiences of other governmental units.

Nine officials of the Department of Health independently responded that it was almost impossible to find problems in homestead areas which were not found in similar strength in comparable middle or low income groups.<sup>7</sup> Not a single example was offered which might substantiate the belief that non-Hawaiian officials faced difficulty in dealing with homesteaders. Generally speaking, the homesteaders were considered more cooperative by non-Hawaiian officials than they were by part-Hawaiians in the Hawaiian Homes Department.

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<sup>7</sup>Exceptions would be the fear by certain ethnic groups of certain diseases, particularly tuberculosis, and dental hygiene. In the latter case, the homestead children in certain age groups appear to be slightly worse off than other groups throughout the state.

Honolulu police officials reacted in much the same way. The homestead areas offer no difficulties which cannot be expected from areas of similar economic conditions. Police officers of non-Hawaiian background found no problems in dealing with homesteaders which could be attributable to ethnic origins.

Modern comparisons help further to reject generalizing from the Hawaiian Homes areas to all the Hawaiians--homes of Hawaiians in non-homesteader areas certainly compare favorably with the general community standards. More interesting a comparison, perhaps, is the condition of Hawaiian living units in low-income housing areas where again they compare favorably with general neighborhood standards and are unquestionably a cut above the Hawaiian homestead areas in appearance. Talks with administrators of lower-income housing areas failed to reveal the Hawaiians as a particular problem when enforcing general standards. Moreover, non-Hawaiian administrators felt that there were no problems in their relations with Hawaiians attributable to race or ethnic group.





## CHAPTER II

### PHYSICAL AND FINANCIAL RESOURCES

The physical and financial resources of the department consist of: (a) substantial land acreage and fixed assets, including equipment and improvements to the land; and (b) four distinct funds.

#### Lands

The original Hawaiian Homes Commission Act failed to define carefully the lands belonging to the Hawaiian Homes Commission. Neither the services available through the state nor independent sources have ever been used to complete a survey of Hawaiian Home Lands in order to settle their boundaries in an incontestable way, though administrative compromises and agreements have settled the major questions. For this reason data on the total of lands available are still not definitive. It is also for this reason that the present commission has determined that research into the land question (availability, location, best-usage) is a top-priority item.<sup>1</sup>

Within these limitations, it can be stated that the department has legal right to approximately 187,000 acres. An examination of Table 1 will indicate the present land usage in general terms.

A closer examination of the specific questions and problems of the actual lands will be the subject of a later Legislative Reference Bureau study. A preliminary analysis, based on figures provided by the Department of Hawaiian Home Lands, reveals that of the 187,000 acres of home lands, less than 2,500 acres are currently being used for houselots, and this figure includes the 61 new acres on Maui for which prospective homesteaders have just been chosen. The total acreage actually used by homesteaders, including houselots, agricultural and pasture lands, farm lots, and community pasture, comes to 43,279 acres, or 23.2 per cent of the total. Approximately 6,500 of these acres are sub-leased to pineapple companies, and thus are not under the complete control of either the commission or

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<sup>1</sup>The present commission has rejected the bid of one engineering company for a review of the commission's lands. It has been considering the offer of a different organization.

Table 1

HAWAIIAN HOMES LAND UTILIZATION  
ACREAGE BY ISLANDS  
JANUARY 1963

	Kauai	Hawaii	Molokai	Maui	Oahu	Total	Per Cent of Total
Homesteader Use							
House lots	83	223	1,792	61	322	2,481	1.3
Agriculture or Pasture	192	15,468 <sup>a</sup>	7,046 <sup>b</sup>	--	--	22,706	12.2
Community Pasture	--	912	15,906	--	--	16,818	9.0
Farm Lots	--	1,270 <sup>c</sup>	--	--	4	1,274	.7
Total Homesteader Use	275	17,873	24,744	61	326	43,279	23.2
Leased Sugar and Pasture	17,490	62,519	--	20,104	3,273	103,386	55.4
Forest Reserves	23	9,696	241	8,717	1,413	20,090	10.8
Other Uses <sup>d</sup>	25	16,273	1,548	100	2,041	19,987	10.7
Total Non-Homesteader Use	17,538	88,488	1,789	28,921	6,727	143,463	76.8
Total	17,813	106,361	26,533	28,982	7,053	186,742	100.0

Source: Department of Hawaiian Home Lands records.

Note: Figures to nearest acre.

<sup>a</sup> 55 ranchers.

<sup>b</sup> 6,500 acres on sub-lease to pineapple companies.

<sup>c</sup> 6 farms.

<sup>d</sup> Includes game reserves, airports, schools, churches, hospitals, reservoirs, utility rights-of-way, licenses, roads, fish ponds, camp sites, military reservations, future farm area, quarries, and beach reserves.

the homesteader for the period of the contract. More than 75 per cent of the Hawaiian Home Lands are not currently in use by homesteaders. About 55 per cent of all the lands are under lease for purposes of general sugar raising or pastoral usage.

### Other Fixed Assets

In addition to the available lands the Department of Hawaiian Home Lands has in excess of \$3 million worth of fixed assets. An examination of Table 2 will identify these assets.

**Table 2**

FIXED ASSETS OF THE DEPARTMENT OF  
HAWAIIAN HOME LANDS  
SEPTEMBER 30, 1962

Equipment:

Motor Vehicles . . . . .	\$ 91,720.83
Office Furniture . . . . .	37,749.33
Education, Science, and Recreation . . .	3,764.05
Livestock. . . . .	16,641.26
Repair . . . . .	19,661.08
Hospitals and Institutions . . . . .	554.23
Furnishings and Furniture . . . . .	4,733.52
Engineering Instruments . . . . .	326.45
Other Equipment . . . . .	52,638.56

Building Structure Improvements:

Buildings . . . . .	88,570.44
Highways, Trails . . . . .	171,002.03
Bridges, Culverts . . . . .	2,000.00
Parks, Playgrounds . . . . .	15,495.14
Embankment, Levees . . . . .	350.00

Domestic Water System . . . . .	1,789,436.09
Irrigation System . . . . .	110,977.26
Sewer System . . . . .	34,044.82
Other Improvements to Land . . . . .	<u>774,299.17</u>

\$3,213,964.26

Source: Department of Hawaiian Home Lands records.

## Financial Resources

There are four distinct funds employed in the operation of the Department of Hawaiian Home Lands. Two of these are revolving funds and two are special funds. Only one, the administration fund, is subject to direct legislative control. Chart 2, which appears on pages 38 and 39 examines the purposes for which moneys in these funds may be used, the sources of revenues for these funds, and the limitations which govern their operation.

### Condition of Funds

According to many legislators, one of the most difficult problems in understanding the programs of the Department of Hawaiian Homes comes from the complex nature of the four funds which are used to support the many activities engaged in by the department. The formal nature of the funds, particularly their legal base, appears in Chart 2. At this point it may help to examine the present condition of the funds and to compare their present condition with that in recent years and the expectation for the coming few years.

Nature of Loan Fund. The nature of the loan fund has made it the most controversial of all the funds. It has been subject to question because the availability or unavailability of its moneys has had an immediate effect on the applicants for loans. Table 3 gives a picture of the fund's condition during the period from July 1957 to September 1962.

Thirty per cent of all moneys received by the state from the leasing of cane lands or the awarding of water licenses is placed in the loan fund. One-fourth of the thirty per cent is subsequently transferred to the development fund. The loan fund has a legal ceiling of \$5,000,000, including the principal of all outstanding loans as well as all transfers to the development fund.

Table 4 gives an indication of the cumulative receipts from the state's leasing of cane lands and granting of water licenses and all transfers, as of October 31, 1962.

Aggregate Total of Loan Fund. The total money from sugar lands and water licenses which is transferred to Hawaiian Homes is known as an aggregate total. Until January 1959 the interpretation of the meaning of "aggregate total" was unclear. Prior to that date, the Department of Hawaiian Home Lands had maintained that deposits were to be made to the loan fund from sugar and

**Table 3**

HAWAIIAN HOME-LOAN FUND  
AVAILABLE AND ENCUMBERED CASH  
JULY 1, 1957 TO SEPTEMBER 30, 1962

Date	Available Cash	Encumbered Cash	Available Plus Encumbered Cash
7-1-57	\$310,200	\$139,469	\$449,669
12-31-57	153,865	137,564	291,429
6-30-58	12,108	239,668	251,776
12-31-58	1,921	214,256	216,177
6-30-59	200,200	158,306	378,506
12-31-59	266,532	181,376	447,908
6-30-60	352,129	198,519	550,648
12-31-60	359,194	241,070	600,264
6-30-61	414,897	217,144	632,041
12-31-61	379,443	188,039	567,482
6-30-62	381,565	234,007	615,572
9-30-62	281,859	306,902	588,761

Source: Department of Hawaiian Home Lands  
records.

Table 4

RECEIPTS FROM STATE LEASING OF SUGAR LANDS AND GRANTING  
OF WATER LICENSES DEPOSITED IN HAWAIIAN HOME-LOAN FUND AND  
SUBSEQUENT TRANSFERS TO HAWAIIAN HOME-DEVELOPMENT FUND  
JUNE 1952 TO OCTOBER 1962

Date	A 30% of State Sugar Lease Rentals and Water Licenses Deposited in Loan Fund	B 25% of A, Transferred to Development Fund	C Remaining in Loan Fund
6/30/52	\$2,400,000	\$400,000	\$2,000,000
6/30/53	213,590	53,397	160,192
6/30/54	229,722	57,431	172,292
6/30/55	223,339	55,835	167,504
6/30/56	213,363	53,341	160,022
6/30/57	235,281	58,820	176,460
6/30/58	184,591	46,148	138,444
6/30/59	253,301	63,325	189,976
6/30/60	223,977	11,703	212,274
6/30/61	234,030	--	234,030
6/30/62	240,934	60,234	180,701
10/31/62	78,260	19,565	58,695
Sub Total	\$2,330,388	\$479,799	\$1,850,590
Total	\$4,730,388	\$879,798	\$3,850,590

Source: Department of Hawaiian Home Lands records.

water receipts until the total of deposits, less transfers to the development fund, reached a total of \$5,000,000. This practice was followed despite what appears to be clear language in the original Act which states that transfers to other funds shall be included in the aggregate. Departmental records for June 30, 1952, consequently show the aggregate to be \$2,000,000, the legal limit at that time, and the transfers to be \$400,000, also the legal limit at that time. In fact, however, the aggregate was \$2,400,000, or some \$400,000 over the legal limit for the loan fund from sugar and water receipts.

The aggregate total limitation was raised in 1952 to \$5,000,000, and it is particularly important that this figure be examined in the present context. Since 1952, \$2,330,388 have been added to the loan fund, \$479,799 of which has been transferred to the development fund. This sum, added to the previous aggregate, brings the aggregate as of October 31, 1962, to \$4,730,388, just \$269,612 under the maximum allowed by current law. A glance at Table 4 indicates that approximately \$225,000 is placed into the loan fund annually, suggesting that the \$269,000 still allowable will be reached in slightly more than a year.

The legislature is thus faced with a decision as to whether the aggregate limit should be raised or discarded, or whether the funds should be forced to operate within their present confines. Since the development fund itself is dependent upon a part of this aggregate fund, it follows that any decision concerning the aggregate total limitation will affect both the loan and development funds.

Projected Loan Fund Requests and Receipts. Between October 1961 and September 1962, 184 loans were approved from the loan fund for a sum total of \$754,376. This figure amounted to a monthly average for the 11 months of \$68,579. In the fall of 1962 the commission began to concern itself with long-range plans, particularly the developments at Panaewa, Paukukalo, and Waimanalo. Until November 1962, the commission had planned to complete the major developments by the end of 1965, but a rather serious depletion in the loan fund became apparent at this time. At the November meeting a plan was submitted to and approved by the commission which would extend the expected completion date of the new projects from 1965 to 1972.

Two points are of particular importance in understanding the new plan: (1) Loan requests for new homes, surrenders, repairs, and insurance are budgeted at \$25,000 per month, considerably below the average over the past year of \$69,000. This amount would be in addition to the amount budgeted for the major new settlements; (2) Receipts estimated for the period after July 1, 1964, are

based on the assumption that the loan fund will have reached its maximum income from the leasing of sugar lands and the granting of water licenses. Available funds after that date would be larger if the fund limitation is raised by the legislature.

Development Fund. The 1961 legislature removed the previously-existing \$800,000 ceiling on the development fund.<sup>2</sup> The current condition of the fund is as follows:

Available Cash	\$ 16,064.69
Encumbered Cash	<u>493,755.26</u>
Total	\$509,819.95

The major encumbrances on the development fund are for a variety of locations.

Waimanalo	\$198,587.74
Panewa	38,900.67
Kawaihae	25,000.00
Papokolea	45,000.00
Paukukalo	<u>165,000.00</u>
Total	\$472,488.41

The current total of funds available and encumbered represents a substantial increase from only five years ago.

<u>Date</u>	<u>Available and Encumbered Cash</u>
7-1-57	\$201,420
12-31-57	220,322
6-30-58	239,652
12-31-58	264,827
6-30-59	336,211
12-31-59	339,988
6-30-60	374,994
12-31-60	374,337
6-30-61	406,885
12-31-61	425,051
6-30-62	501,692
10-31-62	509,819

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<sup>2</sup>Act 183, Session Laws of Hawaii 1961.



As of July 1962, the expected condition of the development fund for the period through 1965 was as follows:

<u>Time Period</u>	<u>Estimated Income</u>	<u>Estimated Expenditures</u>	<u>Estimated Balance End of Period</u>
7-1-62	\$ --	\$ --	\$501,692
7-1-62 to 6-30-63	83,483	525,030	60,145
7-1-63 to 6-30-64	60,000	120,145	--
7-1-64 to 6-30-65	60,000	60,000	--

The expected unavailability of funds for loan purpose will lessen the pressure on the development fund for the opening up of new areas, hence these expenditures have meaning only if the original hope for the opening of new areas could be achieved. The figures for estimated income are based on a continuation of transfer from the loan fund, a continuation dependent upon the legislature's raising of the loan fund limitation.

Operating Fund. As of October 31, 1962, the operating fund had a balance of \$283,278. During the period from 1952 to the middle of 1962, receipts for the fund had been steady, and expenditures well below the receipts. Table 5 shows that a considerable increase in the fund's balance took place between 1957 and the writing of this report. Projections through June 30, 1965, also are included.

Administration Fund. The administration account provides none of the immediate problems normally associated with the other three funds. The use of the administration account's funds depends upon legislative approval and, in addition, upon the law which provides that any amount in the fund above the amount approved by the legislature (or \$200,000 of the amount requested if no appropriation is made) shall be transferred to the development fund.

**Table 5**

HAWAIIAN HOME OPERATING FUND  
RECEIPTS, EXPENDITURES, AND BALANCES  
7-1-57 TO 6-30-65

Time Period	Receipts	Expenditures	Balance
7-1-57	\$ --	\$ --	\$ 85,470
7-1-57 to 6-30-58	105,706	70,740	120,436
7-1-58 to 6-30-59	100,223	80,821	139,838
7-1-59 to 6-30-60	126,968	64,837	201,969
7-1-60 to 6-30-61	132,129	112,046	222,052
7-1-61 to 6-30-62	144,525	116,714	249,863
7-1-62 to 6-30-63	141,500	138,168	253,196
7-1-63 to 6-30-64	148,500	142,242	259,454
7-1-64 to 6-30-65	156,500	146,580	269,374

Source: Department of Hawaiian Home  
Lands records.

## Presentation of Data

The last state audit of the records of the Department of Hawaiian Home Lands occurred in 1956.<sup>3</sup> Because of the long interval since the last close examination of the balance sheets, this study also included a cursory examination of these as well as a general questioning concerning the current procedure. Wherever possible, specialized knowledge outside of government and the department was sought.

One of the primary difficulties in understanding the condition of the funds in specific and the financial problems of the department in general stems from the presentation of statistical data. When this study pointed out some of the difficulties, they were promptly corrected by the fiscal officer. There was no question here of subterfuge or dishonesty, but there were any number of questions which related back to the clarity of the material which the department had been presenting to the legislature and to the public.

The manner in which the loan fund condition was presented is a particular case in point. It was current department procedure to include in the "assets" column separate entries for

- A. Available Cash;
- B. Encumbered Cash (for the loan fund, this usually is limited to money which has been approved for specific loans, but not yet given to the homesteader);
- C. Loans Receivable.

Each of these categories makes sense in and of itself. The practice, however, was to include the encumbered cash total again under loans receivable. This additional sum of the same money was then balanced by adding a loan commitment entry to the other side of the ledger. This may not be an illogical arrangement in terms of the balancing of the books, but it was misleading in the sense that it included under loans receivable funds which were not yet receivable, frequently a fairly large sum of money. (On August 31, 1962, the sum was \$354,000.)

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<sup>3</sup>An audit was requested at the beginning of Mr. Ainsley Mahikoa's term in 1961. This was denied because of a shortage of auditors and a long list of state departments waiting to be audited.

This practice led the observer astray in the sense that the total assets column was inflated simply by the approval of loans and the subsequent movement of the sum from the "available cash" category into both the "encumbered cash" and "loans receivable" columns. These two misleading categories (loans receivable and total assets) are the primary causes for the more serious error discovered in the computation of delinquency. An example of the present procedure using hypothetical figures is presented below:

Before Commission meeting:

Assets	
Available Cash	\$25,000
Encumbered Cash	--
Loans Receivable	<u>25,000</u>
Total Assets	\$50,000

At the meeting the commission approves applications for loans which total \$15,000. The ledger after the meeting then appears:

Assets	
Available Cash	\$10,000
Encumbered Cash	15,000
Loans Receivable	<u>40,000</u>
Total Assets	\$65,000

The assets of the department have thus been improved by \$15,000 through the simple device of approving \$15,000 worth of loans.

## CHAPTER III

### HOMESTEAD ADMINISTRATION

The basic program of the Hawaiian Homes Commission is the homestead program which consists of the settlement of qualified Hawaiians and their families on lands owned by the commission in homes built and owned by the homesteaders but usually financed through loans from the commission. The commission has no other program to offer its clientele at this time. Either the eligible Hawaiian is granted a homestead on department land or else he has no relationship with the commission nor will he benefit directly from its activities. Thus the manner in which the homestead program is administered is most important for it controls the benefits which accrue to individual homesteaders as well as the opportunities which non-homesteaders have to become beneficiaries of the program.

#### Homestead Population

The number of homesteads as of October 1962 was 1,746 of which 953 were on Oahu. There were twelve different homestead areas<sup>1</sup> on four islands, with the largest settlements being at Nanakuli (384), Keaukaha (355), Papakolea-Kewalo (321), and Waimanalo (248). Table 6 gives a complete breakdown for the various areas. Homesteaders have already been selected for settlement of 53 new lots at Paukukalo, Maui. Other major resettlements and expansions are currently planned for Panaewa, Hawaii (42 homesteads to be moved in early 1963 from Keaukaha, Hawaii, due to the expansion of the Hilo Airport); and Waimanalo (200 new homesteaders to be settled beginning in the latter half of 1964 and extending through 1972).

The average size of a homestead family is 6.15<sup>2</sup> persons which means about 10,737 people live in the homestead areas. This estimate may be low, for more than a few homestead families, according to the staff and some commissioners, have relatives visiting temporarily.

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<sup>1</sup>Nanakuli, Papakolea-Kewalo, and Waimanalo on Oahu; Anahola and Kekaha on Kauai; Kalamaula, Kapaakea, O'ne Alii, and Hoolehua on Molokai; Keaukaha, Kawaihae, and Kamuela on Hawaii.

<sup>2</sup>See Lind, Andrew W., "Community Types in Hawaii", 23 Social Process in Hawaii 1959, p. 5. This was a 1957 figure and compared with 4.13 persons per household among the entire population of the islands in 1950.

**Table 6**

LESSEES OF HOMESTEAD  
AREAS BY INDIVIDUAL LOCATIONS  
SEPTEMBER 30, 1962

Area	Number of Lessees
HAWAII	
Keaukaha	355
Kawaihae	13
Waimea	69
Waimea (Agr.)	--
Panaewa	--
TOTAL	437
KAUAI	
Anahola	53
Keka'ha	12
Puu Opae	--
TOTAL	65
MAUI	
Paukukalo	--
TOTAL	--
MOLOKAI	
Hoolehua	173
Kalamaula	55
Kapaakea	38
O'ne Alii	25
TOTAL	291
OAHU	
Nanakuli	384
Papakolea-Kewalo	321
Waimanalo	248
TOTAL	953
GRAND TOTAL	1,746

Source: Department of Hawaiian Home  
Lands records.

The median age of current homesteaders is 45. There are some variations from area to area but they are not particularly significant. The median age is lowest in Nanakuli and highest in Papakolea-Kewalo and Hoolehua.<sup>3</sup>

#### Homestead Applicants

There are almost as many applicants as homesteaders. Put another way, if the waiting list were to be depleted through the awarding of homesteads, almost as many new homesteads would have to be opened as have been opened during the past 40 years. Most of the applicants are in priorities 1 and 2 (i.e., have more than half Hawaiian blood), most are waiting for Oahu openings, and almost all desire houselots, not farms. The typical applicant is 35 to 36 years old and has been on the waiting list for three years.

Detailed data concerning applicants for leases as of August 31, 1962, appear in Table 7. Table 8 correlates the priority classification with the age of the applicant. There are over 1,500 applicants of whom about 76 per cent fall in priorities 1 and 2. 1,200 of the applicants are awaiting Oahu openings, primarily in Waimanalo. Maui has about 200 applicants, a quarter of whom have been selected for homesteads in the new development at Paukukalo; Hawaii has 72 applicants, the majority of whom are waiting for Keaukaha openings; and Kauai has 38 applicants who desire to settle primarily at Anahola. Generally, there is a close correlation between the announcement or knowledge that an area is going to be opened and the size of the waiting list. Thus the number of Maui applicants increased greatly when plans for Paukukalo became definite. Similarly, the number of applicants for Papakolea would rise appreciably if new homesteads were to be opened in that area.

Of the current applicants the median number of years that they have already been on the waiting list is three years. 231 applicants have waited 10 or more years; 226 of these for Oahu homesteads. 85 of these applicants have been waiting for Waimanalo and may expect to be settled during the coming 8 years. 87 are waiting for Papakolea and do not have so encouraging a picture. 54 of the homesteaders have waited in excess of ten years for

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<sup>3</sup>Based on 1,680 cases out of 1,746. A careful search of records failed to reveal the age of 66 of the homesteaders.

**Table 7**

NUMBER OF APPLICATIONS FOR LEASES  
CLASSIFIED BY PRIORITY AND AREA  
AUGUST 1962

Area	Priority			all Islands Totals
	1 & 2	3	1, 2, 3	
<u>OAHU:</u>				
Papakolea-Kewalo	166	55	221	14.4
Nanakuli	175	53	228	14.8
Waimanalo	620	143	763	49.7
Sub-Total	961	251	1,212	78.9
Percentage of Sub-Total	79.3	20.7		
<u>HAWAII:</u>				
(Kawaihae, Keaukaha, Panaewa)	41	19	60	3.9
Waimea	12	-	12	.8
Sub-Total	53	19	72	4.7
Percentage of Sub-Total	73.6	26.4		
<u>MAUI-MOLOKAI:</u>				
Paukukalo	115	48	163	10.6
Hoolehua	21	14	35	2.3
(Kapaakea, O'ne Alii, Kalamaula)	7	9	16	1.0
Sub-Total	143	71	214	13.9
Percentage of Sub-Total	66.8	33.2		
<u>KAUAI:</u>				
Anahola, Kekaha, Puu Opae	17	21	38	2.5
Sub-Total	17	21	38	2.5
Percentage of Sub-Total	44.7	55.3		
<u>GRAND TOTAL</u>				
PERCENTAGE OF GRAND TOTAL	1,174	362	1,536	
	76.4	23.6	100.0	100.0

Source: Department of Hawaiian Home Lands records.



**Table 8**APPLICATIONS FOR LEASES CLASSIFIED  
BY AGE AND PRIORITY  
AUGUST 1962

Age	Priority		Total	Per Cent of Total
	1 & 2	3		
Over 61	25	2	27	1.8
57-60	25	-	25	1.6
53-56	54	11	65	4.3
49-52	81	11	94	6.2
45-48	96	17	113	7.4
41-44	157	36	193	12.7
37-40	138	54	192	12.6
33-36	185	74	259	17.0
29-32	182	61	243	16.0
25-28	148	59	207	13.6
21-24	73	31	104	6.8
Under 21	--	1	1	--
Total	1,164	357	1,521	100.0
Percentage of Total	76.5	23.5		

Source: Department of Hawaiian Home Lands records.

Nanakuli. See Table 9 for number of applicants by dates of application and areas applied for.

In addition to the list of applicants in priorities 1, 2, and 3, the department maintains a further file on "deferred" applications which contains over a thousand applications, 850 of which are for Oahu. There is some lack of clarity concerning which applications are to be placed in the deferred category, but it is clear that the bulk of them represent older applicants who did not respond to recent attempts to update the application file. Any person with an application still on the deferred list at the end of the year will have his application removed entirely from the files and then will be compelled to begin the entire process again if he wishes to be considered for an award. Under present procedures an applicant who updates an application which had been placed in the deferred category is immediately returned to the regular priority list in a position which takes into consideration his original date of application. The expectation is that very few of the applicants on the present deferred list will make an effort to update their applications.

#### Selection of New Areas for Settlement

One of the most important responsibilities of the department is (a) the selection of new areas to be opened and (b) the determination of the nature of new areas. More specifically, what homestead lands shall be developed and shall they be developed as a controlled subdivision or according to the desires of individual homesteaders?

Prior to 1962 the department refrained from becoming involved in subdivision planning, both in the original lot preparation and in planned housing developments. Previous commissions did not wish to handle their own engineering and planning and felt that the individual applicant should be given the privilege of arranging for the construction of his own home. There has been developing during recent years, however, a greater interest in experimentation by the commission, resulting in a decision by the commission to engage in some sub-division type of development. The first major experiment will be at Paukalo, Maui. The sub-division plans were prepared by the department's staff and an architect has been chosen to design a series of houses at different price ranges set by the commission, and to locate these houses in a manner which will consider both the aesthetic and practical needs of the area. The homesteaders will benefit, it is felt, by being given a better house for the money through mass building of units, and he will be able to reside in a planned community which should provide for greater need

Table 9

PERCENTAGE OF APPLICANTS FOR LEASES CLASSIFIED  
BY DATE OF ORIGINAL APPLICATION AND AREA  
AUGUST 1962

Area	1961-62	1959-60	1957-58	1955-56	1953-54	1952 or before	Total
<u>OAHU:</u>							
Papakolea-Kewalo	4.2	1.0	2.0	1.4	2.5	7.2	18.2
Nanakuli	7.7	2.0	1.3	1.7	1.7	4.5	18.8
Waimanalo	26.0	8.1	9.7	6.3	5.9	7.0	63.0
Total	37.9	11.1	13.0	9.4	10.1	18.6	100.0
<u>HAWAII:</u>							
(Kawaihae, Keaukaha, Panaewa)	50.0	16.7	5.6	8.3	2.8	--	83.3
Waimea	11.1	1.4	--	2.8	1.4	--	16.7
Total	61.1	18.1	5.6	11.1	4.2		100.0
<u>MAUI-MOLOKAI:</u>							
Paukukalo	76.2	--	--	--	--	--	76.2
Hooilehua	10.3	1.4	.9	.9	.5	2.3	16.4
(Kapaakea, O'ne Alii, Kalamaula)	6.5	.5	--	--	.5	--	7.5
Total	93.0	1.9	.9	.9	.9	2.3	100.0
<u>KAUAI:</u>							
Anahola, Kekaha, Puu Opae	73.7	7.9	2.6	2.6	13.2	--	100.0
Total	73.7	7.9	2.6	2.6	13.2		100.0

Source: Department of Hawaiian Home Lands records.

Chart 2

FUND STRUCTURE OF THE DEPARTMENT OF HAWAIIAN HOME LANDS  
OCTOBER 1962

Name and Type of Fund	Purposes for Which Moneys May Be Used	Sources of Revenue <sup>a</sup>	Limitations
Hawaiian Home- Loan Fund (revolving)	<ol style="list-style-type: none"> <li>Loans to homesteaders for residential, agricultural, and pastoral purposes.</li> <li>Payment of appraised value of tracts and improvements upon surrender by homesteaders.</li> <li>Loans to operating fund.</li> </ol>	<ol style="list-style-type: none"> <li>30% of total receipts from leasing of cultivated cane lands and granting of water licenses by State.</li> <li>Repayment of principal and advances by lessees. (Interest on such loans not deposited in this fund.)</li> </ol>	<ol style="list-style-type: none"> <li>\$5,000,000 ceiling on aggregate amount of fund; included in ceiling are principal of all outstanding loans and transfers from this fund to other funds which need not be reimbursed.</li> <li>Use restricted to loans provided for in this Act and payments to homesteaders following surrender of tract.</li> <li>\$15,000 loan ceiling for agricultural or pastoral land; \$10,000 ceiling for residential loan. Loans bear interest at rate of 2-1/2% per annum and have a maximum term of 30 years.</li> </ol>
Hawaiian Home- Development Fund (special)	Planning and construction of sanitary facilities, roads, and other non-revenue producing improvements.	<ol style="list-style-type: none"> <li>25% of total amount covered into loan fund annually.</li> <li>Amount of revenue due administration fund which is in excess of approved budget is transferred to this fund.</li> </ol>	Use requires prior written approval of Governor.
Hawaiian Home- Operating Fund (revolving)	<ol style="list-style-type: none"> <li>Construction or repair of revenue-producing improvements.</li> </ol>	<ol style="list-style-type: none"> <li>Interest from loans to homesteaders made from loan fund.</li> </ol>	<ol style="list-style-type: none"> <li>All transfers from loan fund to be repaid in not exceeding 10 annual</li> </ol>

	<ul style="list-style-type: none"> <li>2. Payment of interest on and principal of bonds issued for such improvements.</li> <li>3. Operation and maintenance of such improvements.</li> <li>4. Purchase of utilities, goods, and services to be resold or rented to homesteaders.</li> </ul>	<ul style="list-style-type: none"> <li>2. Charges and fees.</li> <li>3. All moneys from any other source except from the administration fund.</li> <li>4. May be supplemented by other funds appropriated for or available to accomplish purposes of fund.</li> <li>5. May be supplemented by transfers made from loan fund on a loan basis.</li> </ul>	<p>payments.</p> <ul style="list-style-type: none"> <li>2. Aggregate amount of all transfers at any one time not to exceed \$500,000.</li> </ul>
Hawaiian Home-Administration Account (special)	Salaries and general administrative expenses of Commission.	Entire receipts derived from leasing lands belonging to department.	<ul style="list-style-type: none"> <li>1. Cannot be used for structures or permanent improvements.</li> <li>2. Use of this fund must be approved by Legislature and Governor as part of regular budget; except that if no action is taken by the Legislature the amount submitted to the Legislature or \$200,000, whichever is less, shall be available.</li> <li>3. Amount in excess of approved budget is transferred to development fund.</li> </ul>

Source: Hawaiian Homes Commission Act 1920, as amended.

<sup>a</sup>Legislature can supplement funds with appropriations.

satisfaction than an unplanned development. The homesteader, however, will be limited to two or three plans within the price range which he has sufficient funds to qualify for. In addition, of course, the choice of a contractor would not be the homesteader's.

Even with the Paukakalo decision, however, there is no general agreement among commissioners, staff, homesteaders, or legislators as to the feasibility or desirability of this undertaking. At this time there are a few oft-expressed questions doubting the program:

1. Does uniform building increase the uniformity of the homestead areas to an undesirable degree?
2. Does uniform building add a further dimension to what already may be the segregation of some Hawaiians into their own areas?<sup>4</sup>
3. Given the historical difficulty of maintaining neatness and cleanliness in homestead areas, does the uniform building guarantee a uniform slum area?<sup>5</sup>

The funds necessary for the planning of residential subdivision or an agricultural, pastoral or ranch development come from the development fund. Given the present inclinations of the commission to engage in such activities, the question of fund availability becomes even more paramount. Under a system which provided for a gradual awarding of lots, it was relatively simple for a conscientious commission and department to make a steady flow of loan commitments and still maintain reasonable stability in the loan and development funds. These new plans, however, require that considerably more attention be given to fund conditions and the expectations for these funds in the future. The difficult financial situation existing in October 1962 bears testimony to the need for greater awareness and care in this area.

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<sup>4</sup>At least one commissioner is opposed to settling the homesteaders in "ethnic areas". He would disperse them, hoping for greater assimilation in this way.

<sup>5</sup>Opposition to high-rise apartments would prevent competition with Hong Kong where, in Professor Stuart Kirby's words, "the tallest slums in the world" have been built.

## Leases

The original Act provides that "native Hawaiians", defined as those with not less than 50 per cent "of the blood of the races inhabiting the Hawaiian Islands previous to 1778", shall be the recipients of the land under this program. It stipulates an age requirement but establishes no further guidelines for the granting of the leases. The commissions historically have been compelled to wrestle with this problem and to attempt to arrive at some rational priority system. Neither the Congress nor the legislature has ever provided these guidelines.

## Criteria for Selection

The present commission has formally adopted one criterion which serves to guide it in the making of grants. It divides its numerous applicants<sup>6</sup> into priorities based upon percentage of Hawaiian blood:

Priority 1 - Both parents 100 per cent Hawaiian

Priority 2 - At least one parent and children qualify

Priority 3 - All others.

Present commission policy is to limit the selection of new homesteaders to priorities 1 and 2, with the bulk of the applicants coming under priority 2. Where these categories have been taken care of, attention is given to category 3. Category 3 is specifically designed to include all applicants whose children do not qualify, hence the result of this categorization is to emphasize family continuity on the homesteads rather than a rehabilitation program with a foreseeable finish. While these categories themselves do not make it clear, the practice is to use priority 2 to include any combination of parents which will produce offspring of 50 per cent or more Hawaiian blood. Hence, one parent may not qualify as an individual, but in combination with his or her spouse, will produce qualified children. Thus a 25 per cent Hawaiian parent with a 75 per cent Hawaiian spouse will result in a priority 2 classification.

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<sup>6</sup>See Tables 7, 8 and 9 on applicants, discussed on pages 34, 35 and 37.

## The Selection Process

A typical procedure followed by an applicant and the department is described in the following paragraphs:

Initial Application. The applicant presents himself at the Hawaiian Homes department office in Oahu and asks to fill out an application for a homestead. There are two people in the Oahu office who handle these requests, one for Oahu and one for the neighbor islands. On the neighbor islands the project manager normally takes the information and then forwards it to Oahu for filing. At the first meeting the applicant informs the interviewer only of his name, address, type of lot wanted (residential, agricultural, or pastoral), his wife's and his own percentage of Hawaiian blood and dates of birth for himself and spouse. The interviewer then dates the application, assigns it a priority based on the information about the blood, and gives it a file number following the number given the last application made for that area under that priority. The applicant thus immediately is made aware of the potential number of applicants who stand before him in a particular area. In some areas the waiting list is quite long, while in others a qualified applicant can be settled rather quickly.<sup>7</sup>

Updating the Application. No further action is likely to be taken until the department becomes aware of a forthcoming vacancy or the commission decides to open a new section for development. When either event takes place, a number of applicants at the top of the list (usually comprising all of the priority 1's and some of the priority 2's) are informed by letter. This letter merely mentions that the applicant's name has been placed on a pending eligible list and that the application must be reviewed and brought up-to-date. The current letter stipulates that failure to respond within ten days will cause the application to be placed on an inactive list.<sup>8</sup> The "review" and "bringing up-to-date" is in fact a completely new interview necessitating the completion of a four-page detailed application.

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<sup>7</sup>See Tables 7, 8 and 9 for dates of application.

<sup>8</sup>The form used previous to this one did not specify how long the applicant had. However, the 10-day provision is not enforced. After an indeterminate period the application is placed in the "deferred" file.



Two other forms are completed at the same time as the general application. The first is a more complete inquiry into the blood qualifications of the applicant. The percentage of Hawaiian blood of the applicant, the applicant's parents, the applicant's maternal and paternal grandparents, are asked. The same detailed information is asked concerning the applicant's spouse. This form and the general application are then notarized at the Hawaiian Homes department office.

The Applicant's Financial Status. The final form to be completed at this meeting with the applicant is the complete statement of financial status. The present form seeks information concerning employment, position, salary, dependents, and assets of both applicants and spouse. Itemizations of gross income, deductions and monthly expenses also are made.

The final steps in the general application procedure are taken when the department formally requests a confidential credit report from the Credit Bureau of Hawaii. The department makes a final check with the Department of Taxation to ascertain whether any property is owned by the applicant which, according to commission policy, would make the applicant ineligible. This composite of information is then available to the commission to consider in making its awards, and the questions would seem primarily to aim at a determination of ability to repay.

The department thus verifies the general financial status of the applicant as well as his possible property ownership. It normally is not the practice of the department to attempt to verify the percentage of Hawaiian blood. In cases where some question exists in the minds of the staff because of the physical appearance of the applicant, the applicant is asked to secure witnesses swearing to the truth of his statements. A minister or priest is the most likely person to be asked to make such a verification.

After the receipt of the Credit Bureau report, the department again requests the applicant to visit the office, this time in order to discuss his application with the fiscal officer. If the fiscal officer approves of the applicant's ability to finance a lot, the application goes into a "ready to award" file. Alternatively, the fiscal officer may "defer" the application until a certain date or until certain conditions are made. Presently approximately 33 per cent of the applicants are "deferred", mainly because of unemployment or too many outside bills. The decision made by the fiscal officer in each case is based upon his judgment of the case. The applicant's history, his number of dependents, and his present debts

are all considered, but there are no strict policy lines enforced by the present commission.

The Commission Decision. The final decision for all grants or denials of loans is made by the entire commission. The commission in most cases has accepted the "staff" recommendation, with two important exceptions:

- (1) During the second half of 1962, as the weak condition of the loan fund became more apparent, many "recommended" loans were deferred;
- (2) When discussions were held at the commission meeting, disagreements between the director and senior planner became noticeable. At such times, the senior planner usually was unwilling to support a loan request for as high a figure as the director. Quite commonly the commission ended up by accepting the opinion of the planner.

Screening the Maui Applicants. In August of 1962 the commission reviewed 152 applications for the 52 lots to be opened at one time in Maui.

In this particular case there had been no prior screening by the fiscal officer, and the entire group of applications was considered. The selection of homesteaders for the 52 lots was made by the three neighbor island commissioners and one from Oahu (the selection committee), with the executive officer sitting in and acting as chairman for the meeting.<sup>9</sup>

A priority list<sup>10</sup> was established at the outset of the meeting in order to give the selection board a framework within which it could make its selections. It should be emphasized that there was no consensus nor any attempt to reach consensus as to which factor on the priority list

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<sup>9</sup>In fact the executive officer led the discussion. The official chairman of the meeting, however, was one of the commissioners.

<sup>10</sup>This was established at the request of the executive officer who asked, "Gentlemen, what shall we look for?" It included the following points: (a) priority 1, 2, or 3; (b) blood; (c) financial status and record; (d) age; (e) need; (f) present job; and (g) number and ages of children.

was to be the determining factor.<sup>11</sup> This selection of applicants took some 8 to 9 hours to complete. In the course of the selection process, the following policies were identified by the observer:

1. Applicants owning property and living on it were usually deferred. The commission did not disqualify such an individual, as it usually wanted to permit him an opportunity to dispose of his property, if he was willing to do so.
2. Grandchildren or children over 18 were not considered when making judgments as to need, but were considered as possible successors to the property.
3. Financial inability to handle current payments was grounds for deferring an application. However, some commissioners saw the need for greater flexibility here--allowing potential workers who appear to be temporarily unemployed more opportunity to secure a homestead as well as making some allowances for the very old.
4. Deferments of priority 1 were limited to the following causes: (a) property ownership; (b) over-age, poor credit; and (c) children over age and non-dependent.

Despite the attempt to structure the selection by agreeing to qualifications before the selection, there was no general agreement as to the critical qualifications an applicant had to possess. Ability to repay, need (not defined), and chances for success were most often mentioned. Only once was the word rehabilitation even mentioned, and then it was not defined.

#### Loans

A closely related function to that of determining who shall be awarded a homestead lot is that of deciding who shall be given a loan for home construction or repair.

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<sup>11</sup>It appeared to be assumed that the major factor would still be the original priorities 1, 2 and 3, based on blood and children. The distinction between point (a) and point (b) on the priority list was not apparent in the selection process.

The policy questions involved are many, essentially relating to the following areas:

- a. Who shall have first claim to the limited amount of money available in the loan fund? The questions to be answered here are the same as those to be answered in the original award of a homestead to a homesteader, except that the commission must first decide whether present homesteaders living in homes in need of repair<sup>12</sup> should have precedence over those who might be placed on new homesteads? In other words, should the available funds be primarily used to open new areas, or should they be used to maintain the present ones?
- b. How much money should be allotted for each new home?<sup>13</sup> In other words, should quantity be sacrificed for quality?
- c. What standards of construction should be maintained? Who should establish these standards? What is the commission's duty and authority in this area?
- d. How and by whom shall the contractors be selected?

#### Applying for a Loan

The typical procedure followed by a homesteader applying for a loan is as follows: On Oahu the homesteader usually visits the department office and discusses the desired loan with the senior planner. The interviewer's chief concerns at this point are whether or not the loan is being requested for a justifiable purpose, and whether or not the loan fund is in condition to provide for a number of loans. In most cases the senior planner will then visit the particular homestead in order

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<sup>12</sup>At the September 1962 meeting, the commission discussed whether or not poor condition of homes should be a deciding factor or if the manner of upkeep should be considered also in an attempt to teach responsibility. No decision was reached.

<sup>13</sup>The Hawaiian Homes Commission Act now provides for up to \$10,000, a raise from the previous limit of \$6,000. See Act 18, Session Laws of Hawaii 1962.

to ascertain more fully whether the need is real. On the basis of this personal inspection, the senior planner then decides whether the loan shall be recommended. If the loan is rejected at this stage, and if the applicant fails to appeal to the executive officer, the loan request dies.<sup>14</sup> No records are kept of loan applications in this category. The senior planner estimates that he formerly rejected about 33 per cent of all loan requests at this stage of the application procedure. Once the senior planner is satisfied that a real need is present, the application is then forwarded to the fiscal officer for a determination as to the applicant's ability to pay. There are no records kept of denials at this stage, but the fiscal officer estimates it to be about five per cent of the applications he receives. If an appeal is made to the executive officer, a denial might work its way into the commission agenda.

#### Number of Loans Granted

A brief look at loan approvals through July 1962 seems to bear out the belief of some staff members that loans were easier to get during the incumbency of Mr. Ainsley K. Mahikoa. 67 new home loans were made in 1961; 53 were granted during the first seven months of 1962. 47 of the 53 were made during the five months between March and August, the largest number of such loans made during any recent five-month period.

#### Negotiations with Contractors

The question of choosing a contractor arises when a new homesteader constructs a home and when an old homesteader builds a new home or repairs an existing home. The actual selection of a contractor is not a matter which

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<sup>14</sup>There is no specific guide for the staff which can serve to identify a justifiable request. When Mr. Mahikoa was executive officer, however, the procedure was to forward all loan requests to the commission with a recommendation for approval or denial. Until September 1962, the vast majority of the requests were recommended for approval, frequently against the recommendations of subordinate members of the staff. Financial strain appearing in October 1962 led to an abrupt change, resulting in a postponement of all loan approvals at the October commission meeting.

is referred to either in the Act or in the policy manual developed by the department.

In actual practice a loan is recommended by the staff and approved by the commission. As previously noted, it is current staff practice to pass denials on to the commission as well. Once the senior planner feels that the chances for commission approval of a loan are high, he consults with the homesteader regarding the selection of a contractor.<sup>15</sup> The homesteader who is undecided about a contractor is urged to shop around for an estimate on the kind of home he desires. If the homesteader is in a "reasonably sound" financial position,<sup>16</sup> his choice of contractor and the estimate he receives are not questioned. If the homesteader is low on funds or is unwilling or unable to secure his own contractor, then the senior planner helps with the negotiations. Usually, in situations in which funds have been particularly tight, a particular contractor has been recommended, who, in the opinion of staff and commission, has been the most willing of the contractors to meet the financial requirements of homestead applicants. The contractor says that he is willing to accommodate the department because it has offered him constant work for some time. If the homesteader prefers, the senior planner recommends the size and type of house needed by this particular family. The homesteader then works out details with the contractor. The senior planner checks prices and plans, especially noting size of rooms and facilities in kitchen and bathroom. Homestead families are frequently large,<sup>17</sup> hence space is of particular importance. The contractor is asked to sign a performance bond unless payment is to be deferred until completion of construction.

On January 9, 1958, the Hawaiian Homes Commission sent out a letter to various contractors on Oahu asking whether or not these particular contractors were interested in building homes for Hawaiian homesteaders in the Waimanalo area. The commission then operated under

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<sup>15</sup>The senior planner estimates that about 90 per cent of the applicants do not have any contractor in mind when they first come in.

<sup>16</sup>This is left to the judgment of the senior planner.

<sup>17</sup>This writer noted that more than half of all homesteaders interviewed (37 of 72) had "other" relatives living with them "temporarily".

a legal limit of \$6,000 for loan purposes for house construction. Ryoza Takeshita agreed to build a three-bedroom home of 880 square feet, complete with cesspool, at the \$6,000 price. Very few contractors showed any interest in building a home at this price, though there now is considerably more interest following the raising of the loan limit to \$10,000.

Until September, the 1962 contracts for new home construction on Oahu had been divided in the following way:

Ryoza Takeshita	8	6 completed
House Movers, Incorporated	6	1 completed
Hicks Construction	4	1 completed
Various others	5	2 completed

Charges of favoritism frequently have been made, but closer analysis brings out the fact that there is a serious difference of opinion concerning what the role of the department should be. Contractors who are not getting as many of the contracts as they feel they are entitled to often complain of departmental interference. Upon examination, they agree that they are not willing to meet the lower price sought by the departmental personnel.

#### Repayment of Loans

The record of homesteaders with respect to repayment of loans has not been impressive. There have been a large number of continuing delinquencies. There were 927 outstanding loans as of December 31, 1961, 538 of which were in arrears. The delinquencies at that time amounted to \$271,957. Fifty-eight per cent of the loans were delinquent, ranging from a high of 60 per cent on Oahu to a low of 49 per cent on Molokai. Almost 42 per cent of the borrowers were 13 or more months in arrears.

Removal of Delinquencies. Many homesteaders prefer to pay their obligations to the department last whenever there is a choice to be made. Departmental inability to deal effectively with this problem is evident, and only the recent use of a maneuver has helped remove many from the "arrears column". In early 1962, in an effort to revitalize the loan fund and to clear up a number of delinquent financial records, the commission approved a recommendation by the executive officer which, in effect, removed all loan records in the "arrears" category from that status. While the principal and interest accumulation remained part of the debt record of the individual

homesteader, all loans were to have a fresh start. This was accomplished by extending, in effect, the term of each delinquent loan.

The decision of the commission did serve to clear up the credit standing of various debtors, but it also meant that almost \$272,000 was not available for loan fund use at that time. It is still too early to assess accurately the success or failure of the commission action. It must be pointed out, however, that by June 30, 1962, the data for new arrears were not encouraging. As of that date 80 borrowers or 11 per cent of the loans were in a delinquent state; that is, they were one or more months late. Only 21 loans or 5 per cent of the total were two or more months in arrears, but they had become so in a period of six months.

The Delinquency Record. One hopeful sign existed even before the "clean slate" offered in January 1962. A summary of delinquency (i.e., the per cent of total moneys on loan which are delinquent in repayment) showed that a gradual but perceptible decline had taken place during the previous two years:

Summary of Delinquency--All Islands<sup>18</sup>

<u>As of</u>	<u>Per Cent</u>
12-31-59	12.4
9-30-60	11.7
12-31-60	10.7
3-31-61	10.0
6-30-61	9.6
9-30-61	8.9
12-31-61	8.8

Adding the amount of delinquency which was "cleared" in January 1962 (\$271,957) to the amount of delinquency in

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<sup>18</sup>Figures of "delinquency" used are based upon commission figures which were inaccurately computed. Departmental policy had been to compute the figure by dividing the total cash in arrears by the "loans receivable"; the latter figure, however, included "encumbered cash" which had not yet been loaned. The result was to arrive at a figure of 8.8 for December 1961. A proper computation would have given the figure of 10.6, some 20 per cent higher. This oversight has now been corrected.



June 1962 (\$3,436), and computing the present delinquency on the total of loans outstanding as of June 1962 (\$3,221,597), a measure of delinquency of approximately 8.5 per cent is evident. This figure would represent a drop of 0.3 per cent during the period from January to June 30, 1962. Both the 8.5 and the 0.3 are hypothetical figures based upon the assumption that none of the delinquency would have been repaid during the first six months of 1962. Had repayments been made at a moderate rate, the figure of 8.5 would have been lower, and the 0.3 higher. The drop during the previous two six-month periods had been 0.8 per cent and 1.1 per cent, respectively. The improvement would thus appear to be more apparent than real, and it seems valid to question whether the effort to instill new vitality in the system of repayments hasn't actually served to slow down the entire process.

A further examination of the delinquency by homestead areas continues to point to Oahu as a major area of trouble. On June 30, 1962, Oahu had 57 per cent of all loans and 76 per cent of all delinquencies.

Reduction in Payments. There has been a marked increase in the number of reductions in the size of repayment installments and in the postponement of payments for short periods commencing in 1962. It is commission policy to permit the executive officer to make agreements of this sort with the homesteaders, with the understanding that these agreements are to be for short periods, to be made because of extenuating circumstances facing the homesteader, and are to be reported to the commission for information. While these conditions are being met, it is evident that "extenuating circumstances" is being more liberally interpreted.

The fiscal officer does the initial interviewing when an application is made for reduction in the repayment installment and gives his recommendations to the executive officer. In recent months recommendations by the fiscal officer for approval of reductions in payment have not been disapproved, but his recommendations for disapproval have been denied in a number of instances where he has recommended disapproval. No records have been kept of these transactions, with only those cases recommended for approval actually becoming a part of the commission agenda and public record. About half of those requests rejected by the fiscal officer eventually are approved. Table 10 indicates, for the past three years, the number of reductions of loan repayments and the length of the time period involved.

**Table 10**

TIME PERIOD OF REDUCTION OF  
LOAN REPAYMENTS BY EXECUTIVE OFFICER  
HAWAIIAN HOMES COMMISSION  
JANUARY 1960-SEPTEMBER 1962

Year	Specified Time Period	Perma- nently	Until Re- employment	Until Receipt of Social Security or Social Welfare	Indefinite	Total
1960	1 <sup>a</sup>					1
1961	6 <sup>b</sup>	6	3	1	7	23
1962	33 <sup>c</sup>	9	1	1		44

Source: Department of Hawaiian Home Lands.

<sup>a</sup> 24 months.		<sup>c</sup> 2 months ( 2)
		3 " ( 8)
<sup>b</sup> 3 months (2)		5 " ( 5)
6 " (1)		6 " ( 5)
7 " (1)		11 " ( 3)
12 " (2)		12 " (10)

### Evictions and Surrenders

Wherever possible, Hawaiian Homes' administrators have preferred to resort to informal rather than formal pressures in order to gain compliance with commission rules. This may be due in part to despair concerning any hope for support from higher echelons in taking disciplinary action. It is here that political pressures are felt most strongly in the department. Frequently a homesteader who is warned by a department member concerning a violation appeals to an outsider (sometimes a legislator) who in turn may call the executive officer. The pressure on the homesteader may then be slightly eased.

For this reason, the number of actual threats of cancellation of leases do not show how active the staff members may have been in exerting pressure. Formal threat of cancellation has taken place only 57 times since 1950 and only 33 lessees have been forced to vacate their homesteads. In most cases the "eviction"

simply meant the loss of a lease for a homesteader who already had moved but who was unwilling to yield the property formally.

The question of eviction is, of course, a very serious one. At the present time there are no guidelines which the commission has established for itself or for its staff in determining when eviction proceeding shall be instituted. Current policy, judging from correspondence records of the department, seems to call for eviction threats only upon serious financial delinquency coupled with prolonged absence from the homestead. Failure to respond to department correspondence seemingly is the ultimate step though the enforcement process tends to take at least a year.

The period from 1951 through July 1962 witnessed 355 voluntary surrenders of homestead leases, the bulk of which were surrendered for the appraised value of the property. Some of these surrenders were made for the purpose of subdividing a lot in order to reaward half to a member of the family.

The process of subdividing a lot has become fairly common and is an important way by which an applicant can avoid waiting a long period for an award of a homestead. This is generally confined to household lots, and is probably a reflection of the tight situation which exists for household lots, particularly on Oahu. Earlier household lots on Oahu tended to be larger, frequently a half-acre or more. In order to subdivide, the current homesteader merely gives up part of his lot and has it re-awarded to a person of his choice, usually a married child. The department is then asked to make a loan so that a new home may be constructed on the newly-awarded lot.

### Licenses

The Hawaiian Homes Commission Act gives the Commission authority to grant licenses for a variety of purposes. During its long history, the commission has granted certain rights pertaining to lands belonging to the Department of Hawaiian Home Lands. Among these grants have been the following: (1) to homestead cooperatives for stores; (2) to religious groups for churches; (3) to public utility companies for rights-of-way; (4) to the military for installations and maneuvers; (5) to agencies of the Federal Government, such as the Federal Aviation Agency on Molokai, for construction of radio antennae to be used for air communications; (6) to county governments for installation of utilities in subdivisions; and (7) to the University of Hawaii for experimental

purposes. The terms of these permits range, where specified at all, from 1 to 21 years, but a number of the agreements have apparently been entered into informally and do not contain a time limit. Most have been given at no fee.

A check of departmental records reveals that the most recent license recorded bore a number 18. Yet the senior planner believes that many other easements have been issued which are not numbered and not recorded systematically. An examination of the minutes for all meetings since 1920 would be necessary in order to ascertain the total number of such agreements which have been entered into and the total still in effect.

#### Pineapple Contracts

As of September 30, 1962, there were 173 homesteaders in the Hoolehua area of Molokai, 131 of whom had agreed to participate in the pineapple contracts with Libby, McNeill and Libby and the California Packing Corporation. Of those homesteaders not participating, an undetermined number are interested in participating, but for various reasons are not included under the present contract. A rather determined minority are outspokenly opposed to participation in the program and, in fact, are vigorously opposed to the program's existence.

The participating homesteaders have entered into contracts with the companies to permit use of their homesteads to grow pineapples for the use of the companies. The original contract, of ten years' duration, was rather specifically a "growers'" contract in which homesteaders did the growing, financed by the pineapple companies. The homesteaders were then paid according to the prevailing market rate for the fruit on a tonnage basis.

The present contract is of a significantly different nature, paying the homesteaders a blanket \$90 per month for the use of the lands, generally about 35 acres per homesteader. The major questions in the minds of the objecting homesteaders concern the loss of control over the lands to the point where the companies themselves have the final say concerning the planting and hiring of labor.

In 1935 a University of Hawaii anthropologist referred to the contracts between the pineapple companies and the Molokai homesteaders by saying "the enterprise has been marked by an almost constant strain and suspicion as regards the relationships of the homesteaders with the pineapple companies, in which the Homes Commission has not

escaped being involved."<sup>19</sup> This same quotation would be as accurate a description of the situation today as it was in 1935.

Professor Keesing's study is of particular value for an understanding of the earlier years of the pineapple contracts, though much of its content is outside the scope of this report. One conclusion of his is particularly worth considering, however, and that is the one which cautions against sweeping generalizations concerning the income and expenditures of the Molokai homesteaders. Suffice to say, there were some large benefits to the homesteaders in the early years, and some which were considerably more moderate. Today the incomes have been consistently moderate.

There are two major questions concerning the pineapple contracts:

- (1) Do the contracts violate the Hawaiian Homes Commission Act in any legal sense?
- (2) Are the contracts in violation of the intent of the Act?

Concerning the first question, opinions by the Attorneys General of Hawaii from 1926 to 1957 have backed the legality of the pineapple contracts. In addition, in November 1960 the Maui Circuit Court upheld the contract between homesteader Harry Kealoha and the California Packing Corporation.<sup>20</sup>

The truth of the matter is that despite serious questions of legality still remaining in the minds of many observers, the critical question can be reduced to whether or not the contracts help to carry out the intent of the Act, or whether in fact they actually operate in a way contrary to it. The vagueness of the meaning of "rehabilitation" serves to further complicate the question. In the final analysis many officials and interested outsiders justify the agreements in terms of economic needs, meaning that the homestead experiment on Molokai could not have succeeded without the income generated by the contracts, and that the economy of the island of Molokai also is dependent upon the agreements. The

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<sup>19</sup>Keesing, Felix, Hawaiian Homesteading on Molokai (University of Hawaii Research Publications #12, 1936).

<sup>20</sup>Adolpho vs. Kealoha.

question for the future would seem to be whether new sources of income and ways of financing can provide a better method of support for the Molokai homesteading experiment.

## CHAPTER IV

# SUMMARY OF PRESENT PROBLEMS IN THE ORGANIZATION AND ADMINISTRATION OF THE HAWAIIAN HOMES PROGRAM

The Hawaiian Homes program has been functioning for more than forty years, most of which time severe criticisms have been levelled against the program and its administration. Some of the criticisms have been just, many of them unjust. In many situations the criticisms have been valid but directed at the wrong subject. Thus, all too frequently the problem has been with the formulation of the Act itself, while the blame has been directed at the commission or the staff. Conversely, the Act or the general program has been criticized when in fact the administering or lack of administering has been at fault. This report, it is hoped, will be able to distinguish the different problem areas in a constructive way, concentrating essentially on improving the functioning of the program in a manner consistent with the probable intent of the original Act as understood by sympathetic observers in a more modern period.

The major and immediate administrative and organizational problems facing the Department of Hawaiian Home Lands examined in the course of this working paper are summarized in the sections which follow. The summary, by its very nature, tends to emphasize the difficulties which the program faces in the areas of organization and administration. Further, as noted in the introduction, this working paper is a portion of a broader study and many of the suggestions which may be inferred from this report may have to be revised after additional data are gathered and analyses made.

### Organization and Operation of the Department

The clarification of the various roles within the department is one of the ever-present difficulties in staff and commission relationships with each other and with outsiders.

### Clarification of the Role of the Commission

Some of the basic findings reported by the Legislative Reference Bureau in 1953 when it made a study of the Hawaiian Homes Commission, its staff, and its program are all too true today. In 1953 it was reported that:

1. Policies and objectives of the Hawaiian Homes Commission are not completely or clearly stated. The administration reflects this uncertainty.
2. The commission attempts itself to undertake some aspects of routine administration.
3. The commission spends a relatively small portion of its meetings in setting basic plans of operation.

The commission is an administrative board charged with responsibility for both administration and policy-making. The result, in practice, has been much attention to administrative details and little to policy matters requiring careful consideration and long-range planning. The bulk of the time presently spent by the commission is spent on decisions which tend to relate to day-to-day problems, particularly questions concerning applications for leases and loans. Furthermore, there tends to be much identification with the immediate needs of "constituents", as opposed to the more general questions related to over-all programs and long-range goals.

The very vagueness of the Act itself, which is not necessarily a bad feature, does mean that commissioners need to spend considerable time resolving some of the difficult policy problems which lie before them. Further, most of the commissioners are only able to spend a limited amount of time on Hawaiian Homes matters. This makes it all the more necessary that they avoid being bogged down with questions that could and should be solved by the regular salaried staff.

#### Clarification of the Role of the Executive Officer

An essential problem is the definition of the role and responsibility of the executive officer. The position presently carries both cabinet status and cabinet salary. There has been some confusion, however, as to the nature and extent of the officer's responsibility to the governor or to the commission and as to whether he should consider himself a political appointee responsible for active participation in political campaigns or whether he should be neutral in partisan affairs. The commission, while it has indicated that there is no question but that the executive officer is its servant, has failed to express itself publicly with equal clarity on the political role the executive officer is to fulfill.

The lack of clear guidelines to distinguish between policy and administration has resulted in further con-



fusion concerning the position of executive officer. Mr. Mahikoa's understanding of his role quite often led to transferring to the commission the tasks of making decisions which more logically should be made by the executive officer and his staff. The commission has not carefully reviewed this problem.

### The Role of the Departmental Staff

The role which members of the departmental staff should play in the administration of the Hawaiian Homes Commission program is far from clear. The resulting confusion has affected intradepartmental and interdepartmental relations and the relations of staff members with homesteaders. The existing confusion will not be rectified by a re-examination of job descriptions; rather it is a matter of the approach the executive officer and his subordinates take to administration of the program. It should be noted that there will always be a certain amount of lack of clear lines, precise organizational arrangements, and neat procedures in any organization that is doing an effective job of administering a program in a complicated area. There is a point, however, when this necessary lack of tidiness tends to become chaotic and disruptive rather than contribute to the formulation of new ideas and new arrangements.

Both the fiscal officer and the senior planner fill important positions in the department hierarchy. Both are intimately involved with decisions that tend to be controversial, and both are extremely vulnerable to repercussions resulting from decisions that may be viewed unfavorably by homesteaders, legislators, and the interested public. In addition, the senior planner's position is complicated by the imposition of varying tasks, some of which possibly should be assigned elsewhere.

The project managers provide the essential link between the department and the homesteaders on the neighbor islands. The project managers seem to be particularly knowledgeable, but seem to have little influence on overall departmental policy. Virtually no role, for example, is played by the project managers in preparing the general departmental budget. No project manager position exists for Oahu, which imposes an additional burden on the senior planner and fiscal officer.

There is a lack of understanding on the part of both homesteaders and staff members as to what the departmental role should be vis-a-vis the homesteader. Departmental personnel are in the difficult position of having

to administer a clientele-oriented program within rather strict financial limits but with very few policy guides. The lack of program direction contributes further to the uncertainty exhibited by many department members in doing their jobs. Further, the disproportionate amount of time spent by some of the higher level staff members on small matters of immediate urgency but of limited long-range importance tends to limit the effectiveness achieved in utilization of staff personnel.

#### The Possibility of Decentralization

If the primary program of the Hawaiian Homes Commission is to be administration of homesteads, the question arises as to whether or not it would be wise to decentralize the function of the departmental staff further than at present. Should not the recommendations of each project manager, made in accordance with established commission policy, carry great weight with the executive officer and the commission? Can not some of the functions now being conducted by the central office be better conducted at the project level? Increasing discretion at the district level combined with the establishment of a separate district office for Oahu may have several very useful results: (1) The making of sounder decisions attributable to the greater familiarity of project managers with local situations; (2) the freeing of central office planning and finance personnel to deal with major long-range commission problems and programs; and (3) the devoting of more time by the commission to policy matters. It may be possible to accomplish such a decentralization without a staff increase if maximum use is made of the present staff.

#### Staff Recruitment and Classification

The department staff is recruited outside of the civil service system. While this has always been a matter of choice for the departmental staff, generally in the past they have tended to oppose the extension of civil service to the department. There is some evidence, however, that the present staff is not strongly opposed to such a change.

The policy of the department has been to hire personnel with Hawaiian ethnic background, frequently reducing the number of qualified applicants for a job to a very small number. The present staff is able to manage most of the tasks presently before it, but a re-examination of present recruitment methods may be necessary if the entire program is to move in new directions or at a more

accelerated pace. The consensus of homesteaders, legislators, present staff, and knowledgeable outsiders seems to support the need for an increase in the number of persons in the department with professional training and experience. A major question is whether the department can attract well-qualified applicants with Hawaiian blood when the present lack of civil service precludes or discourages merit promotions and restricts the number of available better jobs to those existing within the department. Promotion for able people has been very slow within the department. Civil service might solve the problems of recruiting persons with the requisite professional competence as well as provide them with the necessary degree of job security. It may be possible to utilize standardized personnel management processes while still seeking to employ personnel of Hawaiian ancestry or, if such a requirement is not deemed necessary, at least require employees of the commission to possess the ability to maintain sound working relationships with the department's clientele. Ultimately, however, it would seem that ethnic homogeneity is not a prerequisite for program success or employee satisfaction.

#### Political Activity and Pressure

The development of the department as an agency responsible for the well-being of its recipients and the long tradition of employing non-professional personnel recruited through personal and organizational contacts have resulted in a department highly responsive to outside pressures, including personal and political friendships. While the agency should undoubtedly be expected to respond to public pressure within the democratic context, the particular effects within the department have been unsatisfactory. Institutional neutrality was not always observed during the political campaign; the problem of "influence" from outsiders, however, is one which goes well beyond election periods. A continuous atmosphere of inability to withstand these changing currents exists within the department.

#### Relations with the Legislature

The Territorial and State legislatures have generally cooperated with the department, particularly when the department has been able to present its ideas in a meaningful way. Despite this generally favorable climate within the legislature with respect to the program of the department, a considerable amount of concern about the legislature's attitude does exist. Much of this directs itself to the ethnic composition of the legislature in the belief

that this ethnic composition may in some way lead to an unfavorable attitude toward the department. There is no objective evidence supporting this view; in fact many legislators of Hawaiian ancestry emphatically discount this charge. Generally speaking, there was a more intense feeling of this kind within the department than on the homesteads.

#### Communication With Other Governmental Units

A large variety of associations with other governmental units has taken place since the inception of the Hawaiian Homes program. Most of the current relationships are with the Department of Accounting and General Services, the Department of Transportation, the Department of Land and Natural Resources and the Attorney General, but most of these tend to be of a cursory, highly formal nature. There is little of the informal kind of contact which might add substantial vitality or insight to the program at Hawaiian Homes. Departments concerned with essentially social questions are rarely contacted, and the Department of Hawaiian Home Lands has no functioning social-adjustment program of its own.

#### Financial Resources

Uncertainty as to the amounts of money available as well as inadequate management and planning have caused problems in the financial area.

The advantage of fixed sources of income are offset in some degree by the limitation of such sources and the concurrent and understandable decision on the part of successive legislatures that since this activity is provided for from special funds there is little need for commitment of state general funds. It is very difficult for a legislative body to make a sound value judgment as to the need for funds in a particular program area when the program is in large measure supported from sources outside the jurisdiction of the appropriating body. This does not negate the fact that there may be need for such funds. It does raise the question as to how the legislature is going to meet such a need. There is no particular inherent relationship between the need of the present and potential Hawaiian homesteaders and the amount of income from certain lands owned by the state and lands owned by the commission, and yet the present Hawaiian Homes Commission Act, in large measure, is based on such an assumption. Independent financing has both its virtues and its drawbacks. When apparent needs greatly exceed resources, as appears to be the case with the Hawaiian

Homes program, the limitations are particularly onerous to those charged with program administration.

One major problem in this area is the condition of the loan fund. The legal limit on the amount of money which may be placed in the loan fund from state receipts on rental of lands for raising sugar cane and from water licenses is \$5,000,000. This includes the amount transferred from the loan fund to other funds. Under the present law the loan fund will reach its legal limit in late 1963.

The burden for the judicious use of the available money belongs to the commission and the commission in turn is dependent upon its executive officer and his staff for accurate, up-to-date information concerning the funds. The uncertainties which existed in the latter half of 1962 as to the condition of the loan fund are a result, at least in part, of a breakdown in communication between the commission and its executive officer. Almost all of the signs that the fund was in danger were apparent early in 1962, but the commission was not made aware of this problem until early in the fall.

#### Presentation of Data

Some important, but correctible, problems of data presentation were noted in the course of study, most of which concerned financial records. In every case noted the problem related to lack of clarity rather than a deliberate attempt to confuse the observer. Most frequently the method of presentation was something which had been passed on for many years and had never before been questioned. Some necessary corrections, it should be noted, have already been made.

#### Homestead Administration

Basic homestead administration is confined to the awards of lots, and loans for home construction or agricultural pursuits.

#### Homestead Applicants and the Demand for Houselots

The Hawaiian Homes program has existed for more than forty years; yet no clear set of goals toward which it might be directed has been developed. Conceived originally as a "back to the land" movement, a large majority of present homesteaders and applicants are primarily interested in urbanouselots. Furthermore, the primary interest is in Oahu rather than the more readily available

lots on the neighbor islands. The number of waiting applicants almost equals the number of present homesteaders with the likelihood that the number of applicants would increase substantially if the pace of urban lot development were to be increased noticeably.

### Criteria for Approval of Lease and Loan Applications

The present dimension of the Hawaiian Homes Commission's activities is almost entirely limited to the awarding of leases or loans, but the commission has not clearly established a framework within which it can consider these awards. Probably the most important question which still seeks an answer is whether the need of the homesteader or his ability to repay loans shall be the more important consideration. A limited number of other criteria are available, but the only clearly-defined prerequisite is that the applicant have a sufficient percentage of Hawaiian blood.

### Selection of Contractors

A significant problem for the staff concerns its degree of responsibility to the homesteaders in areas which relate to the activities of the department. The problems are emphasized by the lack of guidelines informing the staff of its proper functions and authority. The role the staff should play, particularly the senior planner, is most vague regarding the selection of contractors by the homesteaders. Clear commission policy is a critical need in this area, particularly in view of the criticism levelled against the planner's present role by some contractors and some commissioners.

### Repayment of Loans

An atmosphere of responsibility has never been clearly created regarding the homesteader's debts to the commission. While the problem seems to be deeply set in the history of the administration of the Act, little or no improvement has taken place in recent years. Computations suggest that the policy of wiping out all "arrears" in an effort to revitalize the repayment rate actually may have retarded the repayment rate. The present amount of money in arrears and the percentage of homesteaders in that category are not cause for satisfaction.

## Pineapple Contracts

This area is one of the more controversial aspects of the entire program of the department. Much of the support for the continuation of the pineapple agreements has come from an awareness of the highly difficult economic circumstances facing the homesteaders on Molokai. It is quite likely that the agreements have in fact made a homestead program possible on that island. Assuming the agreements are "legal", as maintained by the courts and the attorney general, a view not shared by all, there are still a number of questions which have not been satisfactorily answered: (1) Do the agreements violate the "intent" of the Act by providing an automatic income without in any way increasing the responsibility of the recipient? (2) Is it fair to select a limited number of applicants, especially those possessing good jobs, for what becomes an "annuity" or a "pension"? and (3) Is the department's approach to homesteading subject to influence by recipients who work for the department?

Mrs. Jean Fujimoto prepared the manuscript for printing.





## Appendix A

(To be made one and eight copies)

H.R.NO. 87

FIRST LEGISLATURE, 1962  
STATE OF HAWAII

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### HOUSE RESOLUTION

1 WHEREAS, the State of Hawaii in adopting the  
2 Hawaiian Homes Commission Act as part of its State  
3 Constitution evidenced its interest in the rehabili-  
4 tation of native Hawaiians; and

5  
6 WHEREAS, the Hawaiian Homes Commission is re-  
7 sponsible for the implementation of the Hawaiian  
8 Homes Commission Act and is authorized to lease  
9 Hawaiian home lands, to make loans to homesteaders  
10 for agricultural or residential purposes, to under-  
11 take water development, and to "undertake other  
12 activities having to do with the economic and social  
13 welfare of the homesteaders"; and

14  
15 WHEREAS, the Booz, Allen & Hamilton report on  
16 the structure of the Hawaii state government indi-  
17 cated that "clear policy direction is needed to pro-  
18 vide the basis for effective future planning and con-  
19 duct of operations" by the Hawaiian Homes Commission;  
20 and

21  
22 WHEREAS, there is some community sentiment that  
23 greater success in achieving the aims of the Hawaiian  
24 Homes Commission Act is desirable; now, therefore,

25  
26 BE IT RESOLVED by the House of Representatives  
27 of the First Legislature of the State of Hawaii,  
28 Regular Session of 1962, that the Legislative  
29 Reference Bureau be and it is hereby requested to  
30 conduct a review in cooperation with the Department  
31 of Hawaiian Home Lands of the policies and programs  
32 of said department in promoting the rehabilitation  
33 of native Hawaiians, which review shall include:  
34 (1) a description of present policies, programs,  
35 practices, organization, and financing arrangements  
36 of the Department; (2) an identification of aspects  
37 which may need modification; (3) an examination of  
38 alternative approaches to legislating for and ad-

1 ministering the Hawaiian home lands program; and  
2 (4) a comparison of the laws relating to Hawaiian  
3 home lands with the laws of New Zealand relating to  
4 Maori affairs; and  
5

6 BE IT FURTHER RESOLVED that the Legislative  
7 Reference Bureau is requested to submit a preliminary  
8 report on items 1 and 2 above to the Second Legisla-  
9 ture of the State of Hawaii during its 1963 regular  
10 session and a final report of its findings in  
11 December 1963; and  
12

13 BE IT FURTHER RESOLVED that duly authenticated  
14 copies of this Resolution be forwarded to the  
15 Governor, the Hawaiian Homes Commission, and the  
16 Legislative Reference Bureau.  
17

18 OFFERED BY: \_\_\_\_\_  
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## Appendix B

### A SUMMARY OF THE HAWAIIAN HOMES COMMISSION ACT OF 1920 AS AMENDED

<u>Citation &amp; Subject</u>	<u>Summary of Content</u>
Sec. 201 Definitions	Definitions of "commission," "public land," "fund," "Territory," "Hawaiian Home Lands," "tract," "native Hawaiian," and "irrigated pastoral land."
Sec. 202 Commission Organization	<p>Commission has 7 members, 4 including chairman residents of city and county of Honolulu; one each from Hawaii, Maui, and Kauai counties. Four members at least one-fourth Hawaiian, all members residents of Hawaii at least 3 years prior to appointment. Appointed and removed by Governor after due notice and public hearing. Vacancies filled in manner and under limitations of this Act. Governor designates one member chairman. All appointments for 4 years except that appointments to fill unexpired terms end at the expiration of original term. Members serve without pay; reimbursed for actual expenses incurred in discharging their duties.</p> <p>Commission may appoint executive officer and necessary clerical personnel. Executive officer shall reside at major Hawaiian Homes settlement and receives annual salary fixed by Commission, not to exceed \$6,000, but salary may equal amount paid for equivalent positions within state government. Clerical assistants paid in accordance with state practices for such service.</p>
Sec. 203 Available Lands	(1) All lands described herein excluding (a) lands within forest reservation; (b) cultivated sugar cane lands; and (c) public lands held under certificate of occupation, homestead lease, right of purchase lease, or special homestead agreement.

Citation & Subject

Sec. 204  
Control by Commission  
of "Available Lands"

Return of Land to Com-  
missioner of Public  
Lands

Summary of Content

Commission controls Hawaiian home lands in accordance with Act except that:

- (1) Available lands under lease by Territory /State/ of Hawaii at time of passage of Act remain under lease until lease expires or Commissioner of Public Lands /Board of Land and Natural Resources/ withdraws such lands from operation of lease.

Leases containing withdrawal clause may be broken upon request of the Commission and approval of Secretary of Interior.

- (2) Land not immediately needed for development may be returned to the Commissioner of Public Lands /Board of Land and Natural Resources/ and leased in accordance with law. Leases must contain withdrawal clause. The Commissioner of Public Lands /Board of Land and Natural Resources/ may withdraw these leased lands after the Commission gives one to five years notice of such withdrawal.
- (3) Commission may not lease, use, nor dispose of more than 20,000 acres for settlement by native Hawaiians in any 5 year period.
- (4) The Commission, having approval of the Commissioner of Public Lands /Board of Land and Natural Resources/, two-thirds of the members of board of public lands, the Governor and the Secretary of Interior, may exchange title to available lands for publicly owned land of equal value. Public lands thus acquired assume status of available lands and vice versa.

Citation & Subject

Summary of Content

Sec. 205  
Limitations on the  
Sale or Lease of  
Hawaiian Home Lands

Sec. 206  
Limitations of  
State Officers in  
Controlling Hawaiian  
Home Lands

Sec. 207  
Leases to Hawaiians,  
Licenses

Available land to be sold only in manner and for purposes prescribed by Act and only when necessary to fulfill any valid contract in effect at time of passage of Act.

Powers and duties of Governor, Commissioner of Public Lands, /Board of Land and Natural Resources/, in respect to lands of Territory /State/, shall not extend to Hawaiian home lands, except as specifically provided in this Act.

(1) Acreage limits per lessee:

- (a) Not less than one nor more than 40 acres agricultural lands,
- (b) Not less than 100 nor more than 500 acres first-class pastoral lands,
- (c) Not less than 250 nor more than 1,000 acres of second-class pastoral lands,
- (d) Not less than 40 nor more than 100 acres of irrigated pastoral lands,
- (e) Not more than one acre of any class of land for residence lot except (1) a residence lot in the Kalaniana'ole Settlement on Molokai may exceed one acre but not more than four acres, and
- (f) when a homesteader is awarded two lots, reasonably closely juxtaposed, gross acreage of both lots is to be within maximum acreage provided for an agricultural or pastoral lot.

Citation & Subject

Summary of Content

Sec. 207 (continued)

- (2) Title to lands leased by Commission remains in the U. S. Applications for tracts made to Commission, and granted to applicants qualified to perform conditions of lease.
- (3) Commission may grant licenses for terms not over 21 years to utility companies or corporations as easements for railroads, gas mains, etc. Commission also authorized to grant licenses to churches, hospitals, public schools, post offices, theaters, garages, and other mercantile establishments owned by lessees or by organizations formed and controlled by lessees.
- (4) Licenses to U. S. may be granted by Commission with approval of Governor for 5 years for reservations, roads, other rights-of-way, water storage, distribution facilities, practice target ranges. Additional 3 year terms granted by Commission with approval of Governor. Licenses cannot restrict areas needed to carry out Commission's duties or interfere with Commission's operation on maintenance activities.

Sec. 208  
Conditions in  
Leases

Leases made by Commission under provisions of Sec. 207 and the tract in respect to which lease is made subject to the following conditions whether stipulated in lease or not.

- (1) Original lessee must be native Hawaiian, at least 21 years old. When two original or successor lessees marry, they must choose lease to be retained and which to be transferred or cancelled.
- (2) Lease rent \$1.00 a year; original lease 99 years.
- (3) Lessee must occupy and care for land within one year after lease granted. Lessee of agricultural lands must plant and maintain at least 5, 10, 15, 20 trees per acre of land and a

Citation & Subject

Summary of Content

Sec. 208 (continued)

lessee of pastoral lands at least 2, 3, 4, 5 trees per acre leased during the 1st, 2nd, 3rd, 4th years from the date of lease. Commission must approve type and location of tree. Commission furnishes trees free of charge. Lessees are responsible for planting and maintenance of trees.

- (4) Lessee must occupy and care for his land on his own behalf for such part of year as Commission shall prescribe.
- (5) Lessee cannot transfer to, mortgage, pledge, or hold interest in the tract to anyone except native Hawaiian, and then only with approval of Commission. Such interest exempt from attachment, levy, or sale upon court process except when transacting with a Hawaiian approved by Commission, or for indebtedness due Commission, for taxes, or any other indebtedness assured by Commission. Lessee cannot sublet his interest in tract or improvements.
- (6) Lessee pays all taxes on tract and improvements. Commission may pay such taxes and have lien as provided by Sec. 216 of this Act.
- (7) Commission may stipulate in lease other conditions not conflicting with the Act, provided that original lessee exempted from all taxes for first 7 years from date of lease.

Sec. 209  
Successors to  
Lessees

- (1) Lessee can designate spouse, children, widows or widowers of the children, grandchildren, brothers and sisters, widows or widowers of the brothers and sisters, or nieces and nephews as successor(s) to interest in the tract and improvements, including crops. Successor must be qualified to be lessee of Hawaiian home lands. Hawaiian blood requirement does not apply to descendants of non-native Hawaiians entitled to the leased lands under Sec. 3 of the Act of May 16, 1934 (48 Stat. 777, 779), as amended.

Citation & Subject

Summary of Content

Sec. 209 (continued)

Successors need not be 21 years old. Such designation must be written, specified at time of execution of lease with a right in lessee to change beneficiary at any time, filed with and approved by Commission.

If no designation approved by Commission, Commission can name successor in order named above. Rights to use and occupancy of tract effective as of date of death of lessee. Where no relative qualified to be lessee, land resumes status as unleased Hawaiian home lands to be leased to another applicant.

If lessee dies without qualified successor, or lease is cancelled or surrendered, Commission appraises improvements and growing crops, pays legal representative of the deceased or previous lessee, deducts any indebtedness to Commission or for taxes of the lessee. Payments are made from loan fund, reimbursable out of payments made by successor.

Three appraisers; one named by Commission, one by previous lessee or legal representative of deceased, one by two hereinbefore mentioned appraisers.

- (2) If Commission cancels lease, or lessee surrenders lease, Commission can transfer lease or issue new lease to any qualified applicant.
- (3) The Commission appoints guardians, subject to approval of proper court, for successors who are minors. Guardian represents minor in matters pertaining to leasehold, must comply with provisions of Act and lease, and need not be native Hawaiian as defined in Sec. 201.

Sec. 210  
Cancellation of Lease

If conditions in Sec. 208 or 209 are violated, Commission gives notice to lessee and holds hearing. If lessee or his successor is guilty of violation, he must vacate and forfeit his tract and



Citation & Subject\*

Summary of Content

Sec. 210 (continued)

improvements and lease is cancelled. The right to use and occupy tract and improvements is reverted in Commission.

Sec. 211  
Community Pastures

When practicable, Commission provides community pasture for each district with agricultural lands.

Sec. 212  
Lands Returned to  
Control of Commis-  
sioner of Public  
Lands

Commission may return lands not leased to control of Commissioner of Public Lands /Board of Land and Natural Resources/. These lands then resume status of public lands, except that such lands may be disposed of by general lease only. Each such lease deemed subject to right and duty of Commissioner of Public Lands /Board of Land and Natural Resources/ to terminate lease and return to Commission whenever Commission is of opinion that lands are needed for leases, licenses or community pastures in Hawaiian Homes program.

75 Sec. 214  
Purposes of Loans

The Commission can make loans to lessees for following purposes:

- (1) To build dwellings and make permanent improvements on any tract,
- (2) To buy livestock and farm equipment,
- (3) To otherwise develop tracts, farms, and ranch operations.
- (4) To purchase seeds, fertilizers and related supplies.

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\*Section 213 is included in the portion of the study dealing with the various funds. See pages

Citation & Subject

Sec. 215  
Conditions of  
Loans

Summary of Content

The following conditions apply in making loans:

- (1) Loans to lessees of a tract or agricultural or pastoral land not to exceed \$15,000; to lessees of a residence lot not over \$10,000. However, if lessee dies without successor qualified to be a lessee, or if lease is cancelled or surrendered and Commission makes payments to legal representative of the deceased or previous lessee, payments are considered as part or all of any loan to successor, without limitation as to above maximum amounts; and successor shall assume any outstanding loan(s) thereon without limitations to above maximum amounts subject to provisions of paragraph 3 of this section.
- (2) Repayment monthly, quarterly, semi-annually, or annually as determined by the Commission. Terms not over 30 years. Full payment or additional payments can be made any time within term of the loan. Two and one-half per cent interest per annum payable periodically or upon demand is charged on unpaid balance of principal. Repayment may be postponed on approval of (3 of 5 members of Commission).
- (3) If lessee dies, successor can assume contract of loan. If lease is cancelled or surrendered, Commission may demand immediate payment of loan or may permit successors to assume contract of loan. With concurrence of (3 of 5 members) of the Commission due or delinquent interest of such loans assumed by successors may be wholly or partly waived or postponed. The two and one-half per cent interest is charged on unpaid principal of postponed payments. Commission may on concurrence of (3 of 5 members), cancel wholly or partly any delinquent and uncollectible loans to deceased or previous lessees, after an appraisal of all improvements and growing crops on the tract has been made in manner provided for by

Citation & Subject

Summary of Content

Sec. 215 (continued)

Sec. 209(1). The amount of the appraisal shall be considered part or all of any loan to such successor(s), subject to paragraph (1) of this section.

- (4) Loans shall be used only for those purposes for which loan was made.
- (5) Borrower or successor shall comply with any other conditions not conflicting with this Act as stipulated in loan.
- (6) Borrower or successor shall comply with conditions enumerated in sections 208 and 209 in respect to lease of tract.
- (7) Commission may order lessees delinquent in payment of loans to execute an assignment to it, not more than amount of the total indebtedness of such lessee, including indebtedness to others to whom Commission has assured payment. If lessee fails to execute such an assignment, Commission can cancel his lease or interest therein.

Sec. 216  
Insurance, Acceleration  
of Loans, Enforcement  
and Liens

Commission may require borrower to insure all livestock, dwellings, and other permanent improvements bought or made with loans or may directly take out such insurance and add its cost to principal of loan. If borrower is found violating paragraphs (2), (4), (5), or (6) of Sec. 215, after due notice and hearings, all principal and interest is immediately due. The Commission gets first lien on borrower's tract and growing crops to the amount of all principal and interest due and unpaid and of all taxes, insurances paid by the Commission and of all indebtedness of the lessee payment assured by the Commission.

Liens enforced by ordering tract to be forfeited and vacated, lease cancelled, and livestock surrendered. The right to use and occupancy is revested in Commission which may take possession of

Citation & Subject

Summary of Content

Sec. 216 (continued)

tract, improvements and growing crops. However, Commission must pay borrower any difference due after appraisal provided for in paragraph (1) of Sec. 209.

Sec. 217  
Ejectment, Loan to  
New Lessee for  
Improvements

If lessee or borrower fails to comply with Sec. 210 or 216, Commission can bring about ejectment or invoke aid of circuit court to order the lessee or successor to comply with Commission's order. Although Sec. 207 authorizes the leasing of tracts forfeited under Sec. 210 and 216, the value of all improvements on such tract constitutes a loan by the Commission to the new lessee.

Sec. 218  
Lessees Ineligible  
Under "Farm Loan  
Act"

Lessees ineligible for loans under "Farm Loan Act of Hawaii", approved April 30, 1919.

Sec. 219  
Agricultural Experts

The Commission can spend not over \$6,000 in hiring agricultural experts to instruct and advise lessee on diversified farming and stock raising and other such matters necessary to accomplish the purposes of this Act.

Sec. 220  
Development Projects,  
Appropriations: Bonds

Commission authorized to undertake general water and development projects and activities affecting economic and social welfare of homesteaders, to derive revenue from sale to others than homesteaders of products of such projects, if such sale of products to others does not interfere with proper performance of the duties of Commission.

City and county or county shall maintain roads, other than Federal-aid highways and roads, through Hawaiian home lands.

The Legislature is authorized to augment the various funds, and to provide Commission with sufficient funds to carry on such

Citation & Subject

Summary of Content

Sec. 220 (continued)

projects and activities. Legislature can issue bonds to cover the amount appropriated, however, Commission shall pay for revenue producing improvements as stated in Sec. 213(d).

Sec. 221  
Water

- (1) Commission can demand from licensee the free use of any water needed for livestock or for individual domestic use upon any tract.
- (2) Commission authorized to (a) free use of all government water not covered by any water license, nor covered by a water license issued after the passage of this Act, nor covered by one issued prior to the passage of this Act but containing a reservation of such water for public benefit, (b) to contract for the right to use or acquire, under eminent domain, the right to privately owned surplus covered by a water license issued prior to passage of Act which does not contain a reservation of such water for the benefit of public.
- (3) Commission authorized to free use of government owned surplus water on Molokai, and the Waimea river tributary on Kauai, not covered by a water license at or after the passage of this Act. Water licenses issued after the passage of this Act are subject to Commission's right to free use of these waters if necessary for irrigation.
- (4) Right to use of water includes right to use, contract for, or acquire use of any ditch or pipeline to distribute and control such water.

Sec. 222  
Administration

The Commission with written approval of Governor, may regulate, make expenditures including salaries, appoint and remove employees and agents. Expenditures from the administration account, development fund, or operating fund, and all loans made by the Commission, shall be paid upon the presentation of itemized vouchers approved by Commission chairman. Commission

Citation & Subject

Summary of Content

Sec. 222 (continued)

shall make biennial reports to the Legislature on first day of each alternate regular session and special reports from time to time. The Executive Officer and Secretary must give a \$25,000 bond of which the securities and conditions will be approved annually by the Commission.

Sec. 223  
Amendment

The U. S. Congress has right to alter, amend, or repeal provisions of this Act.

Sec. 224  
Sanitation and  
Reclamation Expert

Secretary of the Interior shall name a sanitation, rehabilitation, and reclamation expert to reside and work in the Territory [State]. The expert's salary, paid by the Hawaiian Homes Commission, shall not exceed \$6,000 per year.

Sec. 225  
Investment of Loan

Commission can invest and reinvest loan funds, not immediately needed, in bonds and securities authorized by State law for the investment of State sinking fund moneys. Interest from such investments shall be credited to operating fund.

