

SB 2179



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

**SENATE COMMITTEE ON INTERGOVERNMENTAL
AND MILITARY AFFAIRS**

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SB 2179, MAKING AN APPROPRIATION FOR WASTEWATER PROJECTS

Testimony of Chiyome Leinaala Fukino, M.D.

Director of Health

February 8, 2008

1:45 p.m.

1 **Department's Position:** The Department of Health supports the concept of providing additional
2 monies to the water pollution control state revolving fund (SRF) that enables the counties to obtain loans
3 for wastewater projects but respectfully **opposes** this measure because it would adversely impact
4 priorities as set forth in the Executive Supplemental Budget.

5 **Fiscal Implications:** The measure appropriates an unspecified amount of general funds to the
6 Department of Health.

7 **Purpose and Justification:** S.B. 2179 requests appropriation out of the general revenues of the State of
8 Hawaii for fiscal year 2008-2009 for the SRF water pollution control state revolving fund. The SRF
9 fund is largely exhausted and needs to be replenished to meet the wastewater infrastructures needs of the
10 counties. The most pressing need is the replacement of large-capacity cesspools in accordance with the
11 mandates imposed by the federal Environmental Protection Agency.

12 The Department is sympathetic with the intent of this measure to provide additional funds to the
13 SRF program, but this measure is not part of the two-year financial plan. If the legislature were to pass
14 this measure, this bill would have to be accommodated in the budget, and its impact on the budget may

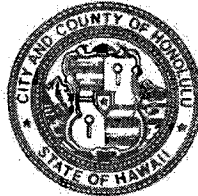
1 result in reduced funding for other similarly worthy causes. Therefore, the Department cannot support
2 the bill at this time.

3 Thank you for the opportunity to testify on this measure.

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR



ERIC S. TAKAMURA, Ph.D., P.E.
DIRECTOR

KENNETH A. SHIMIZU
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 08-64

February 7, 2008

The Honorable Senator Lorraine Inouye, Chair
Committee on Intergovernmental and Military Affairs
State Senate
State Capitol, Room 201
415 South Beretania Street
Honolulu, Hawaii 96813

The Honorable Senator Ron Menor, Chair
Committee on Energy and Environment
State Senate
State Capitol, Room 201
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Senators Inouye and Menor:

Subject: SB 2179, Making an Appropriation for Wastewater Projects

The Department of Environmental Services, City and County of Honolulu, strongly **supports** SB 2179 which would appropriate funds to the State of Hawaii Water Pollution Control Revolving Fund for fiscal year 2008-2009.

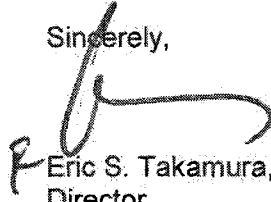
The Water Pollution Control Revolving Fund is largely exhausted and additional funding is needed to allow loans to support various wastewater needs throughout the State to improve the quality and service provided by the various county wastewater systems and to assist in the replacement of large-capacity cesspools. It is our understanding that without additional appropriations, the fund will be unable to grant any additional loans to the City and County until 2011.

It is important to understand that the Water Pollution Control Revolving Fund is funded in part by Federal Grants through the U.S. Environmental Protection Agency; however, Federal funding has been continuously reduced over the past several years. State support is important in keeping this low interest loan option available to assist in making proper wastewater service available to our communities at the most reasonable cost.

The Honorable Senator Lorraine Inouye
The Honorable Senator Ron Menor
February 7, 2008
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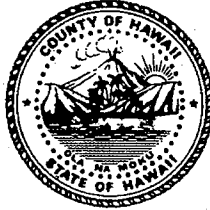
We wish to thank the Committee on Intergovernmental and Military Affairs and the Committee on Energy and Environment for their consideration and support of funding for the Water Pollution Control Revolving Fund, and urge the Committee to pass SB 2179.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Takamura', with a stylized flourish extending to the right.

Eric S. Takamura, Ph.D., P.E.
Director

Harry Kim
Mayor



Bobby Jean Leithead-Todd
Director

Nelson Ho
Deputy Director

County of Hawai'i

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

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February 5, 2008

The Honorable Ron Menor, Chair
and Honorable Gary L. Hooser, Vice Chair
and Members of the Senate Committee on
Energy and Environmental Protection

The Honorable Lorraine R. Inouye, Chair
and Honorable Shan S. Tsutsui, Vice Chair
and Members of the Senate Committee on
Intergovernmental and Military Affairs

Hearing: Friday, February 8, 2008
Time: 1:45 p.m.
Place: Conference Room 229
State Capitol
415 South Beretania Street

Re: SB 2179 – Making An Appropriation For Wastewater Projects

Dear Chairs, Vice Chairs and Committee Members,

The County of Hawai'i Department of Environmental Management supports HB 2211 which would make an appropriation to the state revolving fund for wastewater projects. The County was informed by the Department of Health that all funds in the revolving fund have been committed and no further loans are available until 2010.

The County of Hawai'i and its residents have been struggling to comply with the Environmental Protection Agency (EPA) rule change that required the closure of large capacity cesspools (LCC) as well as the need to upgrade our other wastewater facilities.

The EPA mandated closure of all large capacity cesspools throughout the country. For the vast majority of the United States such closures were not a problem. However, in the County of Hawai'i this posed major problems. Most County facilities such as base yards and parks were on large capacity cesspools. The County closed 104 such cesspools at substantial cost. The remaining County projects involve the closure of

large capacity cesspools in the towns of Na`alehu and Pahala (approximately \$7.2M needed) and Honoka`a (needs approximately \$3.5M) as well as 2 subdivisions, Komohana Heights in Hilo (\$700,000) and Queen Lili`uokalani Village ("QLV", an affordable housing project) in Kona (\$16.5M). While the Komohana and QLV cesspools were dedicated to the County and are part of its wastewater system, Na`alehu, Pahala and Honoka`a are projects geared to help both County and State agencies, residents and businesses.

Na`alehu and Pahala

The Na`alehu and Pahala sugar plantation camps were constructed over 100 years ago by C. Brewer Ltd. (C. Brewer). Approximately 165 lots in Na`alehu and 114 lots in Pahala are currently serviced by the C. Brewer sewer systems. Both the Na`alehu and Pahala systems currently discharge into LCC's. As a result of closing sugar operations in the Ka`u District, the Na`alehu and Pahala camps were subdivided and sold as fee simple lots to the plantation workers with C. Brewer maintaining operation and maintenance of the existing sewer system.

Due to the impending dissolution of C. Brewer, Ltd., there are very limited options for residents currently served by the Na`alehu and Pahala sewer system and the County entered into an agreement with C. Brewer to take over the sewer systems in an effort to assist the communities. While no County facilities will be served by the new sewer systems, the new wastewater treatment system in Pahala will be designed to accommodate additional flows from the business community as well as wastewater from the Kau High and Elementary Schools. The County has been advised by the State Department of Health (DOH) and the State Department of Education (DOE) that limited options are available for the Ka`u schools with closure of their existing LCC's. It has been determined that there are multiple large lava tubes underlying the schools and that the lava tubes are currently used as the schools' current means of wastewater disposal.

Honoka`a

The County of Hawai`i conducted a study in accordance with House Resolution (HR) No. 84, H.D.1 to examine the feasibility of installing a wastewater treatment system in Honoka`a, Hawai`i to serve County and State facilities as well as residents and businesses in order to develop a community wide solution to wastewater disposal in Honoka`a. The proposed system would allow both the County and State to close LCC's in accordance with the EPA mandate and also allow the disconnection of existing systems that are currently disposing of wastewater into lava tubes in the area.

The Honoka`a project would serve numerous State facilities (Honoka`a State Library, DOH facilities at the Honoka`a Civic Center, Judicial Courthouse at the Honoka`a Civic Center, DOE facilities at Honoka`a Elementary, Intermediate and High School and a Hawai`i Housing Authority Elderly Housing project). The project would also allow numerous businesses to connect to the system. These businesses have few options available for closure of LCC's due the configuration of their lots and could face closure of their businesses as a result.

Queen Lili'uokalani Village

The Queen Lili'uokalani Village Subdivision was constructed pursuant to Act 108, SLH 1970 (Experimental and Demonstration Housing Projects) as an Affordable Housing Project in the 1970's with the County responsible for the wastewater system. Twenty-nine (29) LCC's were installed within the subdivision in order to service the housing units due to difficult topography of the area and as a cost-saving measure. Connection of the subdivision to the Kealakehe Wastewater Treatment Plant will provide secondary wastewater treatment in accordance with DOH regulations.

Costs for the upgrade include replacement of the existing sewer collection system that is substandard due to the exemptions provided under Act 108, SLH 1970. Upgrade of the collection system is also required since the system within the subdivision was not designed for future connection to the Kealakehe wastewater system due to cost considerations. The estimated cost of the project is about \$16.5M.

Kealakehe Wastewater Treatment Plant Projects

The Kealakehe Wastewater Treatment Plant (KWWTP) was constructed in 1993 in accordance with the 1991 Keahole to Kailua Development Plan (K to K Plan) to serve the future planned developments in the area. While it was originally intended that an Effluent Reuse program be utilized as the primary means of effluent disposal from the facility, the County was unable to utilize the planned Kealakehe Golf Course as the means of effluent disposal due to economic and legal complications associated with the Kealakehe Golf Course. As a result, only a very limited amount of effluent (average of 20,000 gpd) is utilized for reuse and the majority of the effluent is disposed of via an infiltration. The plan is to install sewer and reuse infrastructure in the Queen Kaahumanu Highway conjunction with the State Department of Transportation's (DOT) Queen Kaahumanu Highway Widening Project – Phase II (DOT Queen K - Phase II Project).

Installation of the sewer and effluent reuse infrastructure is required in order to serve planned development of the area and will also be a major step in implementation of an effective effluent reuse program that will serve to protect State Waters on the Kona Coast as well as save potable water supplies in the area. Dovetailing of the project with the DOT Queen K – Phase II Project will result in significant cost savings associated with installation of the sewer and reuse infrastructure and will prevent tremendous negative impacts to traffic flow in the area in the event that the infrastructure is required to be installed after completion of the DOT Queen K – Phase II Project. This project needs approximately \$13.3M.

The KWWTP was constructed in 1993 with an initial design capacity of 2.8 MGD (million gallons per day). During the construction phase, the plant capacity was increased to 5.1 MGD in accordance with an agreement with the State of Hawai'i Housing and Finance Development Corporation whereby State funds were contributed to ensure a reserve capacity of 1.6 MGD for future State housing developments in the area. Accumulated sludge in the lagoon treatment system has reduced the KWWTP plant capacity and is required to be removed in order to help restore capacity.

The KWWTP was originally designed to accommodate domestic strength sewage from the area served by the Kona Sewer System. As a result of State requirements implemented after construction of the KWWTP that now require that septic tanks be utilized for Individual Wastewater Systems (IWS's) in the majority of cases, the KWWTP has been forced to accommodate high-strength septage loads (40-50 times normal strength) from West Hawai'i septic tanks in areas not currently serviced by the Kona Sewer System. Additionally, the KWWTP has also been required to accept large sludge loads from State and private WWTP's such as the Keahole Airport facility that were not required by DOH to have sludge dewatering capabilities and therefore utilize the KWWTP as their means of sludge disposal.

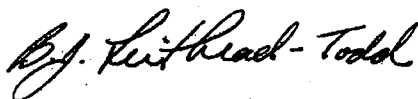
The recent EPA mandate requiring closure of all LCC's has exacerbated the problem since many LCC's have been converted to Large Capacity Septic Systems (LCSS's) that also dispose of large volumes of high-strength septage at the KWWTP. This project needs approximately \$4.6M.

Other projects related to the KWWTP require an additional \$7.2M. The total funding amount for these projects is about \$53M. However, because of the current fiscal situation, the State has taken the position that funds should be limited to construction so the funding amount would be about a total of \$42.5M.

The department recognizes that this is a significant request and that there are unmet needs for all 4 counties. We would appreciate any additional funding that could be provided whether by way of grant or loans.

We respectfully request your consideration of the above testimony.

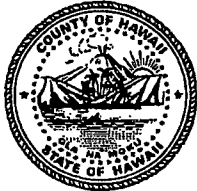
Sincerely,



Bobby Jean Leithead Todd
DIRECTOR

cc: Harry Kim, Mayor
Dora Beck, TSS Chief
Bert Saito, WWD Chief
Robin Bauman, DEM Business Manager

Harry Kim
Mayor



Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawaii

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February 6, 2008

The Honorable Lorraine Inouye
Chair, Committee on Intergovernmental
and Military Affairs
415 South Beretania Street
Honolulu, HI 96813

The Honorable Ron Menor
Chair, Committee on Energy
and Environment
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Inouye, Chair Menor, and Committee Members:

Re: SB 2179

The Federal mandate to close all large-capacity cesspools has had a significant impact on the County of Hawai'i. Those closures, along with the need to deal with wastewater in the Kealakehe area of West Hawai'i, have resulted in a major need for capital funds that is difficult for Hawai'i County to meet on its own.

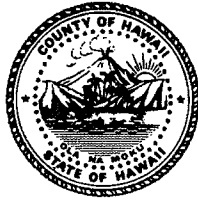
The state has long assisted the counties with wastewater projects through a revolving fund under the Department of Health. However, on this occasion we are informed that all funds have been committed and no further loans are available. Only if the Legislature chooses to increase the revolving fund could this situation be remedied, and if the Legislature did take this step, we believe that Hawai'i County could fulfill all necessary terms and be eligible for loans from the fund. I am aware of the many demands on this legislature for funding this year, and realize that full funding for our needs, along with the needs of other counties, is out of the question. Nevertheless, I am hopeful that some additional funds can be made available to help us serve our common constituents.

Any assistance you can give us will be appreciated.

Alpha,

Harry Kim
MAYOR

BOB JACOBSON
Councilmember

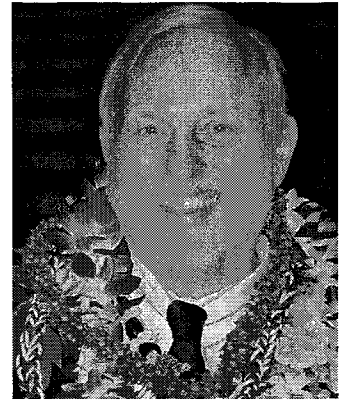


Chair, Environmental Management Committee
Vice-Chair, Finance Committee

HAWAI'I COUNTY COUNCIL

County of Hawai'i

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Phone: (808) 961-8263
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February 7, 2008

Senator Ron Menor, Chair
Senator Gary L. Hooser, Vice-Chair
And Members
Committee on Energy & Environment

Hearing Scheduled for Friday, February 8, 2008 at 1:45 p.m.
Conference Room 229
State Capitol
415 South Beretania Street
Honolulu, HI

Re: SB 2179 MAKING AN APPROPRIATION FOR WASTEWATER

I wholeheartedly support SB 2179. I believe that this appropriation is necessary for the County of Hawaii to comply with our federally mandated Environmental Protection Agency standards.

Currently the revolving fund is empty due to Oahu's trouble with their sewer lines and no funds are available until 2010. Being that most wastewater projects are federally mandated, these projects can not wait until 2010. With the appropriation of funds the State Revolving Fund, all four Counties would be able to borrow money to successfully complete these much needed sewer projects to protect our clean water.

I urge you to pass SB 2179.

Aloha,

Bob Jacobson

Senate
Twenty-Fourth Legislature
Regular Session of 2008

COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS
and
COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Hearing
Friday, February 8, 2008
1:45 pm

Testimony by: Ralph C. Boyea, Legislative Advocate, Hawai'i County Council

Testimony in favor of SB 2179 MAKING AN APPROPRIATION FOR WASTEWATER PROJECTS

Chairperson Inouye
Chairperson Menor
and Honored Senators,

On behalf of the Hawai'i County Council, I urge you to pass Senate Bill 2179

Senate Bill 2179 appropriates funds for wastewater projects to comply with federal Environmental Protection Agency standards. These funds would replenish the State's revolving fund for wastewater projects. The County of Hawaii has been informed that all funds in the revolving fund have been committed and no further loans are available until 2010.

In her testimony to this Committee, the County of Hawai'i Department of Environmental Management Director, Bobby Jean Leithead Todd outlines urgent needs in the communities of Pahala, Na'alehu, Honoka'a, Komohana, Queen Lili'uokalani Village and Kealahou, all on the island of Hawaii. The wastewater treatment projects for these communities must be completed to comply with federal EPA mandates. The total cost of these projects exceeds \$60.4 million dollars. Ms. Leithead Todd acknowledges that this is a significant amount of money, and that it must be considered along with requests from other counties. She asks for whatever help the State can give.

On February 5, 2008, I attended a joint hearing of the House Committee on Economic Development & Business Concerns and the House Committee on Agriculture. One of the Bills heard on that day was HB1629 - RELATING TO CORPORATION INCOME TAX. This Bill calls for the elimination of the State corporate income tax. Mr. Kurt Kawafuchi, Director of the State of Hawaii Department of Taxation submitted written and oral testimony. In his written testimony Mr. Kawafuchi noted that if the corporate income tax was eliminated "The effect on the tax structure would not be great - corporate tax collections in fiscal year 2007 were only about \$82 million."

Testimony by: Ralph C. Boyea, Legislative Advocate, Hawai'i County Council
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If collections were "only" \$82 million, then perhaps looking at "only" \$60.4 million to comply will the EPA mandate is not out of the question. Considering the fact that corporations, their subsidiaries, related business enterprises, employees and customers all contribute to the wastewater problem, I suggest the Legislature consider retaining the corporate income tax for at least two years and use the income from it to bring all counties into compliance with the EPA mandate. Corporations could then be hailed for their very significant contribution to the health and well being of the people of Hawaii, and, if the Legislature see fit to do so, they could then be rewarded with the elimination of the corporate income tax in 2010.

SB 2179 is part of the Hawaii County Mayor's package for the 2008 Session. The Hawaii County Council supports the Mayor's request.

Your support of this Bill will be greatly appreciated..