

Honolulu, Hawaii

MAR 24 2017

RE: H.B. No. 1244
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Agriculture and Environment, to which was referred H.B. No. 1244, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the cesspool upgrade, conversion, or connection income tax credit to: make the tax credit assignable; make the tax credit refundable; expand the criteria for cesspools that qualify for the tax credit; and extend the sunset date to December 31, 2022;
- (2) Require all cesspools in the State to be upgraded or converted to septic or aerobic treatment unit systems or connected to sewer systems by January 1, 2050;
- (3) Establish a grant program to assist with cesspool upgrade, conversion, or connection costs; and
- (4) Appropriate funds for the grant program.

Your Committees received testimony in support of this measure from the Department of Health, Sierra Club of Hawai'i, Nature



Conservancy of Hawai'i, and nine individuals. Your Committees received testimony in opposition to this measure from the Office of the Mayor of the County of Hawai'i. Your Committees received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and Hawai'i Association of REALTORS.

Your Committees find that cesspools are a major source of pollution to Hawaii's waters. According to testimony from the Department of Health, there are approximately 90,000 cesspools in the State, which discharge approximately 55,000,000 gallons of untreated sewage into the groundwater every day. Groundwater flows into drinking water sources, streams, and the ocean, harming public health and the environment, including beaches and coral reefs. Although your Committees understand that there are significant costs associated with cesspool conversion, phasing out cesspools will eliminate threats to drinking water and recreational waters. Among other things, this measure expands the cesspool upgrade, conversion, or connection income tax credit, including making the tax credit assignable, and establishes a grant program to help facilitate the phasing out of cesspools.

Your Committees have heard the concerns raised by the Department of Taxation in testimony, regarding the assignment of the cesspool upgrade, conversion, or connection income tax credit. Your Committees also recognize that in certain areas of the State, upgrading a sewage system is impossible or extremely costly. Your Committees heard testimony from the Department of Health indicating that a variance mechanism exists allowing the public to apply to the Department for an exemption under such circumstances. Your Committees understand these concerns and conclude that amendments to this measure are necessary.

Your Committees have amended this measure by:

- (1) Deleting language that would have made the cesspool upgrade, conversion, or connection income tax credit assignable;
- (2) Authorizing the Director of Health to grant exemptions to the requirement to upgrade, convert, or connect a cesspool by January 1, 2050, if a property owner applies for the exemption and presents documentation showing a




legitimate reason that makes the upgrade, conversion, or connection infeasible;

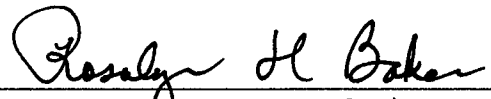
- (3) Clarifying that the amendments to the cesspool upgrade, conversion, or connection income tax credit shall apply to taxable years beginning after December 31, 2017;
- (4) Making it effective on July 1, 2017; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Agriculture and Environment that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1244, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1244, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Commerce,
Consumer Protection, and Health
and Agriculture and
Environment,



MIKE GABBARD, Chair

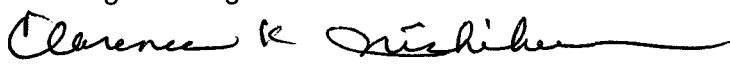


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i


Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1244 HD1	CPH/AEN, WAM	3/20/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley				/
ESPERO, Will	/			
IHARA, Jr., Les	/			
KIDANI, Michelle N.	/			
RUDERMAN, Russell E.		/		
TOTAL	5	1		1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB1244, HD1	CPH/AEN, WAM	3/20/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RIVIERE, Gil (VC)	X			
NISHIHARA, Clarence K.	X			
RHOADS, Karl	X			
RUDERMAN, Russell E.		X		
TOTAL	4	1	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted		<input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

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