

DAVID Y. IGE  
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**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Donovan M. Dela Cruz, Chair  
and Members of the Senate Committee on Ways and Means

Date: Friday, February 23, 2018  
Time: 10:30 A.M.  
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

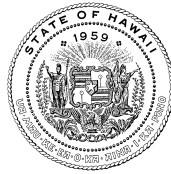
Re: S.B. 2717, S.D. 1, Relating to Cesspools

The Department of Taxation (Department) appreciates the intent of S.B. 2717, S.D. 1, and offers the following comments for your consideration. S.B. 2717, S.D. 1, establishes a grant program to assist beneficiaries on Hawaiian home lands with the costs of upgrading or converting a cesspool. The measure also provides that a recipient of such a grant is ineligible for the cesspool upgrade, conversion, or connection income tax credit under Hawaii Revised Statutes (HRS) section 235-16.5. The measure is effective upon approval, applies to taxable years beginning after December 31, 2017 with funding for the program effective July 1, 2018.

The Department first notes that the Senate Committees on Hawaiian Affairs and Commerce, Consumer Protection, and Health adopted the Department's recommendation that the Department of Hawaiian Home Lands be authorized to periodically provide to the Department a listing of any recipient of the grant along with their tax identification number so that the Department can ensure that such person does not also claim the tax credit under HRS section 235-16.5.

The Department further notes that it is able to implement the measure with its current effective date. Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR



LAUREL A. JOHNSTON  
DIRECTOR

KEN N. KITAMURA  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

TESTIMONY BY LAUREL A. JOHNSTON  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2717, S.D. 1

**February 22, 2018  
10:10 a.m.  
Room 211**

RELATING TO CESSPOOLS

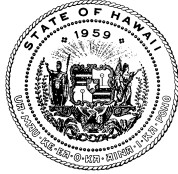
Senate Bill No. 2717, S.D. 1, establishes a grant program to assist beneficiaries on Hawaiian home lands with cesspool upgrades or conversion costs; establishes that a recipient of a cesspool grant shall not be eligible for the cesspool upgrade, conversion, or connection income tax credit; establishes the Cesspool Compliance Grant Program Special Fund (CCGPSF); and appropriates \$50,000,000 in general funds for FY 19 for deposit into the CCGPSF.

While the Department of Budget and Finance takes no position on the establishment of a cesspool grant program for Hawaiian home lands beneficiaries, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and

the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 2717, S.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

In addition, appropriating \$50,000,000 in general funds for FY 19 for deposit into the CCGPSF may impact the Administration's and Legislature's ability to fund other programs and activities in the FY 19 Supplemental Budget.

Thank you for your consideration of our comments.



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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WRITTEN  
TESTIMONY ONLY

**Testimony in SUPPORT of SB2717 SD1  
RELATING TO CESSPOOLS**

SENATOR DONOVAN M. DELA CRUZ, CHAIR  
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: February 23, 2018  
Time: 10:30 A.M.

Room Number: 211

1 **Fiscal Implications:** None for the Department of Health (Department). The measure establishes a  
2 grant program and special fund to assist beneficiaries on Hawaiian Home Lands with cesspool  
3 upgrade or conversion costs. Establishes that a recipient of a cesspool upgrade grant shall not be  
4 eligible for the cesspool upgrade, conversion, or connection income tax credit. Appropriates  
5 moneys for the grant program.

6 **Department Testimony:** We appreciate and support the intent of this initiative, but defer to the  
7 Governor's Executive Supplemental Budget Request for the Department's appropriations and  
8 personnel priorities. Cesspools are a major source of pollution to Hawaii's waters. There are  
9 approximately 88,000 cesspools in the State, discharging approximately 53 million gallons of  
10 untreated sewage into the groundwater every day. Ground water flows into drinking water sources;  
11 since ninety-five percent of all drinking water in Hawaii comes from ground water sources, this  
12 cesspool pollution can potentially harm human health. Groundwater also flows into streams and the  
13 ocean, harming public health and the environment, including beaches, recreational waters, and coral  
14 reefs.

15 During the most recent regular Legislative session, Act 125 was passed, requiring the replacement  
16 of all cesspools by 2050. The Legislature has taken important actions to address Hawaii's  
17 cesspools. There is an urgent need to protect the public health and environment with cesspool  
18 upgrades as soon as feasible. These upgrades can be to sewer, septic systems or any other  
19 individual wastewater systems that comply with the Department's Chapter 11-62, Hawaii  
20 Administrative Rules.

21 The cost of upgrades will be high, averaging \$20,000 to \$30,000. The Department is open to  
22 various forms and strategies of financial support for homeowners who upgrade. Expanded tax

- 1 credits and grants are two possible options that would help homeowners afford the phasing out of
- 2 cesspools.
- 3 This bill addresses a small part of the overall cesspools problem with Department of Hawaiian
- 4 Homelands properties, but is one step in the right direction.
- 5 Thank you for the opportunity to testify on this measure.

DAVID Y. IGE  
GOVERNOR  
STATE OF HAWAII

SHAN S. TSUTSUI  
LT. GOVERNOR  
STATE OF HAWAII



JOBIE M. K. MASAGATANI  
CHAIRMAN  
HAWAIIAN HOMES COMMISSION

WILLIAM J. AILA, JR.  
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879  
HONOLULU, HAWAII 96805

**TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN  
HAWAIIAN HOMES COMMISSION  
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

**IN SUPPORT OF**

**SB 2717 SD1 RELATING TO CESSPOOLS**

February 23, 2018

Aloha Chair Dela Cruz and members of the Committee:

Thank you for the opportunity to testify on Senate Bill 2717 SD1. This bill establishes a grant program and special fund to assist beneficiaries on Hawaiian home lands with cesspool upgrade, conversion, or connection costs. The Department supports this measure as long as it doesn't affect the priorities identified in the Governor's Executive budget request.

The Department supports this grant program that would assist lessees in meeting the costs of upgrading or converting a cesspool located on Hawaiian home lands to a septic or aerobic treatment unit system or connecting a cesspool located on Hawaiian home lands to a sewerage system.

Thank you for your consideration of our testimony.

**SB-2717-SD-1**

Submitted on: 2/22/2018 1:56:09 AM

Testimony for WAM on 2/23/2018 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

**SB-2717-SD-1**

Submitted on: 2/21/2018 1:53:53 PM

Testimony for WAM on 2/23/2018 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments: