

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
DIRECTOR

ROBERT YU  
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**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

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

**WRITTEN ONLY**  
TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON AGRICULTURE AND ENVIRONMENT AND  
HAWAIIAN AFFAIRS  
ON  
SENATE BILL NO. 1370

**February 13, 2019**  
**1:20 p.m.**  
**Room 224**

RELATING TO CESSPOOLS

Senate Bill (S.B.) No. 1370: establishes the Cesspool Compliance Grant Program within the Department of Hawaiian Home Lands to assist lessees in upgrading or converting a cesspool on Hawaiian home lands to a septic system or aerobic treatment unit system, or connecting a cesspool to a sewerage system; creates the Cesspool Compliance Grant Program Special Fund that would generate revenues through legislative appropriations; appropriates an unspecified sum of general funds in FY 20 for deposit into the special fund; and appropriates an unspecified sum of special funds in FY 20 and FY 21 to implement the cesspool grant program.

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 S.B. No. 1370, it is difficult to determine whether the proposed special fund would be self-sustaining, or why the program cannot be implemented under the general fund appropriation process.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560

Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Mike Gabbard, Chair  
and Members of the Senate Committee on Agriculture and Environment

The Honorable Maile Shimabukuro, Chair  
and Members of the Senate Committee on Hawaiian Affairs

Date: Wednesday, February 13, 2019

Time: 1:20 P.M.

Place: Conference Room 224, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

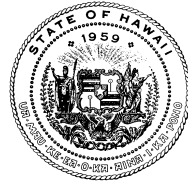
Re: S.B. 1370, Relating to Cesspools

The Department of Taxation (Department) provides the following comments regarding S.B. 1370 for your consideration.

S.B. 1370 establishes a grant program and special fund to assist lessees on Hawaiian home lands with cesspool upgrade, conversion, or connection costs. It also provides that a recipient of such grant is not eligible for the cesspool upgrade, conversion, or connection income tax credit and vice versa. The measure is effective upon approval and applies to taxable years beginning after December 31, 2018.

The Department supports the concept of a grant program because it believes that grants are far more preferable than tax credits in assisting taxpayers that are truly in need of the assistance. The Department is able to administer the change to the cesspools tax credit as proposed by this measure with its current effective date.

Thank you for the opportunity to provide comments.



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

WRITTEN  
TESTIMONY ONLY

**Testimony in SUPPORT of SB1370  
RELATING TO CESSPOOLS**

SENATOR MIKE GABBARD, CHAIR  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

SENATOR MAILE S.L. SHIMABUKURO, CHAIR  
SENATE COMMITTEE ON HAWAIIAN AFFAIRS

Hearing Date: February 13, 2019

Room Number: CR 224

1 **Fiscal Implications:** This measure may impact the priorities identified in the Governor's  
2 Executive Budget Request.

3 **Department Testimony:** We appreciate and support the intent of this initiative, but defer to the  
4 Governor's Executive Budget Request for the Department of Health's (Department)  
5 appropriations and personnel priorities. Cesspools are a major source of pollution to Hawaii's  
6 waters. There are approximately 88,000 cesspools in the State, discharging approximately  
7 53 million gallons of untreated sewage into the ground water every day. Ground water flows  
8 into drinking water sources; since ninety-five percent of all drinking water in Hawaii comes from  
9 ground water sources, this cesspool pollution can potentially harm human health.

10 There is an urgent need to protect the public health and environment with cesspool  
11 upgrades as soon as feasible. These upgrades can be to connect to sewer, septic systems or any  
12 other individual wastewater systems that comply with the Department's Chapter 11-62, Hawaii  
13 Administrative Rules.

14 The cost of cesspool upgrades is high, averaging \$20,000 and \$30,000. The Department  
15 is open to various forms and strategies of financial support for homeowners who upgrade.  
16 Expanded tax credits and grants are two possible options that would help homeowners afford the  
17 phasing out of cesspools.

1           Although this measure addresses a small part of the overall problem with cesspools by  
2     establishing a grante program for the Department of Hawaiian Home Land properties, we  
3     consider this to be a step in the right direction.

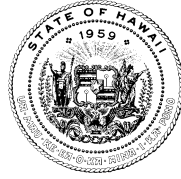
4     **Offered Amendments:** None.

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

**LATE**

DAVID Y. IGE  
GOVERNOR  
STATE OF HAWAII

JOSH GREEN  
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 COMMITTEES ON AGRICULTURE AND ENVIRONMENT AND  
HAWAIIAN AFFAIRS  
HEARING ON FEBRUARY 13, 2019 AT 1:20PM IN CR 224

**SB 1370 RELATING TO CESPOOLS**

February 11, 2019

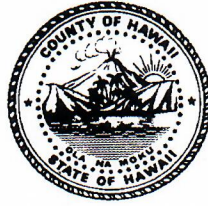
Aloha Chair Gabbard, Chair Shimabukuro, and members of the Committee:

Thank you for the opportunity to testify on Senate Bill 1370, which proposes to establish a grant program and special fund to assist lessees on Hawaiian home lands with cesspool upgrade, conversion, or connection cots. The Department of Hawaiian Home Lands (DHHL) supports this bill 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 system 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.

From the office of -  
Council Member  
District 3



Office: (808) 961-8396  
Fax: (808) 961-8912  
Email: [sue.leeloy@hawaiiicounty.gov](mailto:sue.leeloy@hawaiiicounty.gov)

**SUSAN L.K. LEE LOY**

25 Aupuni Street, Hilo, Hawai'i 96720

The Honorable Senator Mike Gabbard, Chair  
And members of the Committee on Agriculture and Environment

The Honorable Senator Maile S.L. Shimabukuro, Chair  
And members of the Committee on Hawaiian Affairs

February 7, 2019

Dear Chair Gabbard, Chair Shimabukuro, and Committee Members,

I thank you for the opportunity to provide testimony in support of SB 1370, establishing in the Department of Hawaiian Home Lands a cesspool compliance grant program.

Without some form of cost mitigation mechanism similar to that offered to the cesspool upgrade, conversion, or connection income tax credit, the financial impacts of the conversion requirements by 2050, as required by HRS 342D-72, will be a major burden on Hawaiian Home Lands beneficiaries. As the original leases expire over the next 30 years, DHHL will need to find new ways to encourage full compliance with this law. SB 1370 is a step in the right direction.

This bill is in line with the purpose of the Hawaiian Homes Commission Act of 1920 (Section 101(b)(5): "**Providing financial support** and technical assistance to native Hawaiian beneficiaries of this Act so that by pursuing strategies to enhance economic self-sufficiency and promote community-based development, the traditions, culture, and quality of life of native Hawaiians shall be forever self-sustaining.")

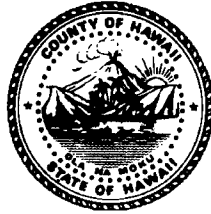
Again, I thank you for hearing this bill and I urge its passage through your Joint Committee.

Aloha Piha

A handwritten signature in black ink, appearing to read "Sue Lee Loy", written over a printed name and title.

Sue Lee Loy  
Council Member, District 3

**Harry Kim**  
*Mayor*



**Wil Okabe**  
*Managing Director*

**Barbara J. Kossow**  
*Deputy Managing Director*

## County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

February 12, 2019

Senator Mike Gabbard, Chair  
Committee on Agriculture and Environment

Senator Maile S.L. Shimabukuro, Chair  
Committee on Hawaiian Affairs

Dear Chair Gabbard, Chair Shimabukuro, and Committee Members:

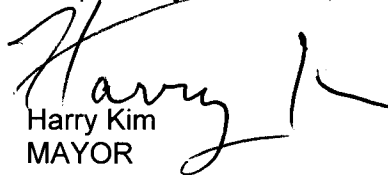
**RE: SB 1370, Relating to Cesspools**

The cost of cesspool conversion is going to be prohibitive for many of our residents, no less so than for those residing on Hawaiian Home Lands. Furthermore, one of the largest homesteads on Hawai'i Island is in one of the most environmentally sensitive areas of Hilo, Keaukaha.

It is therefore in everyone's interest that assistance be provided for homesteaders who must convert to a septic system or aerobic treatment, or connect to a sewerage system.

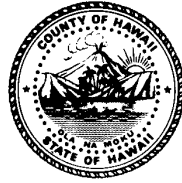
I hope you will act favorably on SB 1370.

Respectfully Submitted,

  
Harry Kim  
MAYOR



Harry Kim  
Mayor



William A. Kucharski  
Director

Wilfred M. Okabe  
Managing Director

Diane A. Noda  
Deputy Director

## County of Hawai'i

### DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

345 Kekūanāo'a Street, Suite 41 · Hilo, Hawai'i 96720

Ph: (808) 961-8083 · Fax: (808) 961-8086

Email: [cohdem@hawaiicounty.gov](mailto:cohdem@hawaiicounty.gov)

February 12, 2019

Senator Mike Gabbard  
Committee on Agriculture and Environment  
Senator Maile S.L. Shimabukuro, Chair  
Committee on Hawaiian Affairs  
Hawai'i State Legislature  
415 South Beretania Street  
Honolulu, Hawai'i 96813

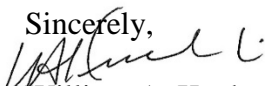
**Re: SB 1370 (Relating to Cesspools)**  
Hearing: February 13, 2019  
Time: 1:20 p.m. (Wednesday)

Dear Senator Gabbard and Members of the Committee on Agriculture and Environment and Senator Shimabukuro and Members of Committee on Hawaiian Affairs:

The County of Hawai'i (COH) supports SB 1370.

SB 1370 provides the Department of Hawaiian Homelands funds to support lessees of Hawaiian Homelands property to upgrade existing cesspools as required by state law. The lessees on Hawaiian Homelands are in need of financial support for this large cost item, specifically new waste water systems or sewer connections to comply with cesspool closure obligations. The COH supports this effort to provide updated waste water treatment technologies to these residents. The upgrade of existing cesspools to higher levels of treatment via County provided sewer systems or the installation of advanced individual waste water treatment systems is a critical step forward. This step is necessary so that ocean water quality can be improved and so that adverse health effects from untreated, or poorly treated waste water discharged into our stressed environment can be minimized. This Bill will help those in critical need.

The COH appreciates the opportunity to support SB 1370.

Sincerely,  
  
William A. Kucharski,  
Director

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: INCOME, Cesspool Compliance Grant Program

BILL NUMBER: SB 1370

INTRODUCED BY: K. KAHELE, S. CHANG, KANUHA, Baker, Ihara, Inouye, Keith-Agaran, J.Keohokalole, Kidani, Moriwaki, Nishihara, Riviere, Ruderman, Shimabukuro, Wakai

EXECUTIVE SUMMARY: Establishes a cesspool compliance grant program to assist beneficiaries on Hawaiian home lands. Prevents duplication with the cesspool upgrade, conversion or connection income tax credit.

SYNOPSIS: Adds a new section to chapter 342D, HRS, establishing a cesspool grant program and special fund. Provides that the Department of Hawaiian Home Lands (DHHL) shall be exempt from section 235-116 and may periodically share with the department of taxation the cesspool compliance grant recipient's tax identification number and other information necessary to ensure cesspool compliance grant recipients do not also claim the cesspool upgrade, conversion, and connection income tax credit established in section 235-16.5.

Amends section 235-16.5, HRS, which now provides for the tax credit, to provide that a taxpayer may claim either the grant or the tax credit, but not both. Taxpayers who already have claimed the tax credit will be ineligible for the grant.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The proposed grant program and the existing tax credits duplicate each other to a degree, so it makes sense to prevent double dipping.

Digested 2/5/2019



ONE WORLD ONE WATER  
677 Ala Moana Blvd, Suite 1100  
Honolulu, Hi 96713

Testimony in Support of SB1370  
Relating to Cesspools

Senate Committee on Agriculture and Environment  
Senate Committee on Hawaiian Affairs  
February 13<sup>th</sup>, 2019  
1:20pm  
Conference Room 224

**Subject:** Senate Bill (SB) 1370 Relating to Cesspools

Aloha Chair Gabbard, Chair Shimabukuro, Vice Chair Ruderman, Vice Chair Kahele, and Members of the Committee on Agriculture and Environment and the Committee on Hawaiian Affairs,

At One World One Water we are dedicated to reinvesting in water infrastructure and restoring natural environments, and we strongly support **SB1370** establishes a grant program and special fund to assist lessees on Hawaiian home lands with cesspool upgrade, conversion, or connection costs. With thousands of cesspools in the state potentially contaminating water supplies, coral reefs, and public health, grant programs will be imperative to the conversion of these systems. Other states that have managed to convert wastewater systems have seen success through implementing financial incentives, low interest loans, and grant programs.

**We ask your support of SB1370** to establish this grant program and special fund for cesspool conversions.

Please contact us at [globalwater@gmail.com](mailto:globalwater@gmail.com) should you have any questions or require additional information regarding this matter.

Sincerely,  
*One World One Water*

**SB-1370**

Submitted on: 2/10/2019 8:30:07 AM

Testimony for AEN on 2/13/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jeff Gilbreath	Testifying for Hawaiian Community Assets	Support	No

Comments:

**SB-1370**

Submitted on: 2/6/2019 1:40:21 PM

Testimony for AEN on 2/13/2019 1:20:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Karen Winslow	Individual	Support	No

Comments: