

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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In reply, please refer to:  
File:

**Testimony in SUPPORT of SB0777 SD2  
RELATING TO CESSPOOLS**

REPRESENTATIVE NICOLE E. LOWEN, CHAIR  
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
REPRESENTATIVE LINDA ICHIYAMA, CHAIR  
HOUSE COMMITTEE ON WATER & LAND  
Hearing Date: 3/16/2023 Room Number: 325

1 **Fiscal Implications:** This measure may impact the priorities identified in the Governor's  
2 Executive Budget Request for the Department of Health's (Department) appropriations and  
3 personnel priorities.

4 **Department Testimony:** The Department supports this measure as long as it does not impact  
5 the priorities requested in the Executive Budget. Cesspools are a major source of pollution to  
6 Hawaii's waters.

7 There are approximately 83,000 cesspools in the State, discharging millions of gallons of  
8 untreated sewage into the groundwater every day. The sewage polluted groundwater flows into  
9 drinking water sources, streams and the ocean, harming public health and the environment,  
10 including beaches and coral reefs. Ninety-five percent of all drinking water in Hawaii comes  
11 from groundwater sources. Cesspools should be phased out to eliminate threats to drinking  
12 water and recreational waters.

13 The Department supports the establishment of a cesspool upgrade, conversion, or  
14 connection income tax credit program. The Department recognizes that there is a need to  
15 provide a variety of financing options to assist residents for cesspool conversions in addition to  
16 the grant program that was established by Act 153, Session Laws of Hawaii 2022.

17 Thank you for the opportunity to testify.

18 **Offered Amendments:** None.



STATE OF HAWAII  
HAWAII CLIMATE CHANGE MITIGATION & ADAPTATION  
COMMISSION  
POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Co-Chairs:**  
Chair, DLNR  
Director, OPSD

**Commissioners:**  
Chair, Senate AEN  
Chair, Senate WTL  
Chair, House EEP  
Chair, House WAL  
Chairperson, HTA  
Chairperson, DOA  
CEO, OHA  
Chairperson, DHHL  
Director, DBEDT  
Director, DOT  
Director, DOH  
Chairperson, DOE  
Director, C+C DPP  
Director, Maui DP  
Director, Hawaii DP  
Director, Kauai DP  
The Adjutant General  
Manager, CZM

**Testimony of  
Leah Laramee  
Coordinator, Hawai'i Climate Change Mitigation and Adaptation Commission**

**Before the House Committees on  
ENERGY AND ENVIRONMENTAL PROTECTION  
AND  
WATER AND LAND**

**Thursday, February 16, 2023  
9:00 AM  
State Capitol, Via Videoconference, Conference Room 325**

**In support of  
Senate Bill 777 Senate Draft 2  
RELATING TO CESSPOOLS.**

Senate Bill 777 SDw provides a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a wastewater system approved by the Director of Health, or connecting to a sewerage system. **The Hawai'i Climate Change Mitigation and Adaptation Commission (Commission) supports this measure.**

The Hawai'i Climate Change Mitigation and Adaptation Commission consists of a multi-jurisdictional effort between 20 different departments, committees, and counties. Removal of cesspools for all properties within the Sea Level Rise Exposure Area (SLR-XA), is imperative to the health of nearshore waters and for members of the public accessing coastal resources. The Commission's 2022 update to the *Sea Level Rise Vulnerability and Adaptation Report* Recommended Action 6.1.1 states that the state should sponsor research and development efforts to expand affordable and actionable conversion options for shoreline property owners and options should account for SLR-XA projections of coastal erosion and associated land loss, and potential failure of sewage treatment systems due to sea level rise groundwater inundation.

Cesspools in the coastal zone will be an increasing source of nonpoint source pollution as groundwater rises and coastal erosion accelerates. The *Sea Level Rise Vulnerability and Adaptation Report* Recommended Action 6.4 urges the state to expand policy directives beyond the existing income tax credits and requirement for removal by 2050. Specifically, policy must address existing cesspools in the coastal zone in relation to enforcement of existing laws and regulations and removal of unpermitted shoreline hardening. Mahalo for the opportunity to testify in support of this measure.



# UNIVERSITY OF HAWAII SYSTEM

## ‘ŌNAEHANA KULANUI O HAWAII

### Legislative Testimony

### Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the  
House Committee on Energy & Environmental Protection  
House Committee on Water & Land  
Thursday March 16, 2023 at 9:00 a.m.

By

Darren T. Lerner, PhD

Director, University of Hawai'i (UH) Sea Grant College Program,  
School of Ocean and Earth Science and Technology

And

Thomas Giambelluca

Director, UH Water Resources Research Center

And

Michael Bruno, Provost

University of Hawai'i at Mānoa

### SB 777 SD2– RELATING TO CESSPOOLS

Chairs Lowen and Ichiyama, Vice Chairs Cochran and Poepoe, and Members of the Committees:

The University of Hawai'i Sea Grant College Program (Hawai'i Sea Grant) and UH Water Resources Research Center **support** SB 777 SD2. Because it is critical to both human and environmental health that the state's cesspools be eliminated as soon as possible, it is important that a multitude of mechanisms for financial assistance be created for homeowners.

This bill would provide financial relief to those who are upgrading their cesspools through a temporary income tax credit. This tax credit would offset some of the financial difficulties of cesspool conversion and upgrades. Its temporary nature will hopefully incentivize conversion to occur in the near-term, which benefits human and environmental health outcomes. Because this bill adds responsibilities for the Department of Health related to the certification of cesspools, collection and maintenance of expense records, and tracking the amount of credit each taxpayer may claim, our departments encourage the legislature's support of personnel capacity increases at the Department of Health so that they can effectuate their growing responsibilities related to cesspool conversion.

Thank you for the opportunity to testify on this measure.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 777, S.D.2, Relating to Cesspools

**BEFORE THE:**

House Committee on Energy & Environmental Protection and  
House Committee on Water & Land

**DATE:** Thursday, March 16, 2023

**TIME:** 9:00 a.m.

**LOCATION:** State Capitol, Room 325

Chairs Lowen and Ichiyama, Vice-Chairs Cochran and Poepoe, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding S.B. 777, S.D.2, for your consideration.

S.B. 777, S.D.2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a nonrefundable income tax credit for "qualified expenses," up to an unspecified amount for upgrade, conversion, or connection of a "qualified cesspool" to an "approved wastewater system" or connecting a qualified cesspool to a "sewerage system." The bill sets an unspecified aggregate cap and requires the Department of Health to certify all qualified cesspools for the credit.

This bill has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2023, and shall be repealed on December 31, 2028.

The Department appreciates the technical amendment made by the Senate Ways and Means committee to clarify the scope of certification for the credit by the Department of Health.

The Department defers to the Department of Health on its ability to certify this credit and administer its aggregate cap, but respectfully requests that the third-party

Department of Taxation Testimony  
S.B. 777, S.D.2  
March 16, 2023  
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certification requirement be maintained, as the Department lacks subject-matter expertise to determine eligibility for and to administer this credit.

The Department further notes that it is able to administer this bill for the applicable tax years included.

Thank you for the opportunity to provide comments on this measure.



Environmental Caucus of  
The Democratic Party of Hawai'i

To: The Honorable Nicole E. Lowen, Chair  
The Honorable Elle Cochran, Vice Chair  
Members of the Committee on Energy and Environmental Protection

The Honorable Linda Ichiyama, Chair  
The Honorable Mahina Poepoe, Vice Chair  
Members of the Committee on Water and Land

Re: **SB 777, SD2 – RELATING TO CESSPOOLS**

Hearing: Thursday, March 16, 2023, 9:00 a.m., Conference Room 325 & Videoconference

Position: **Strong support**

Aloha, Chairs Lowen and Ichiyama, Vice Chairs Cochran and Poepoe and Members of the Committee on Energy and Environmental Protection and Committee on Water and Land:

The Environmental Caucus of the Democratic Party of Hawai'i and its 7,500 members stand in strong support of SB 777, SD2. This measure would provide for taxable years beginning after 12/31/2023, a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a wastewater system approved by the Director of Health or connecting to a sewerage system.

As provided in the Democratic Party of Hawai'i Platform adopted at the DPH State Convention on May 28, 2022, our policy is to “protect and preserve Hawai'i's environment and achieve energy sustainability, advance measures to re-establish a healthy climate and environment for humans and fellow species, including actions to urgently address climate change, and work towards 100% renewable energy goals.

We believe that all people have the right to live in a clean, healthy and safe environment. We believe that the preservation of our natural environment and its ecological well-being is essential to ensuring a safe, healthy, bountiful life for future generations in Hawai'i. We support policies that create a more sustainable society. We support the restoration, preservation, and protection of native ecosystems.

We believe in the resource management principles outlined in the Public Trust doctrine of [Article XI, Section 1 of the] Hawai'i State Constitution.”

Hawaii currently has an official goal to replace all its cesspools with better sewage treatment systems that cause less harm to the local environment and public health by 2050; however, as many as 83,000 cesspools release about 53 million gallons of untreated sewage into the islands' soil, streams and nearshore waters daily making the 2050 deadline too late to prevent substantial harm.



March 16, 2023

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In the Report of the [Cesspool Conversion Working Group](#), nearly 14,000 of the worst Hawaii cesspools – the ones that would potentially cause the most damage based on their location – are to be removed by 2030; followed by more than 12,000 “priority two” cesspools to be removed by 2035; and the remaining “priority three” 55,000 cesspools are to be removed by the original 2050 deadline.

“There are no benefits to human health or the environment if homeowners wait or postpone conversion until closer to the 2050 ... deadline,” the 17-member task force of scientists, public health officials, private industry representatives, elected leaders and environmental advocates wrote in a new 1,182-page report to the Legislature. [Microsoft Word - Cesspool Conversion Plan Draft Final-copy-blue wave-FINAL use this one \(hawaii.gov\)](#)

Providing for a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a wastewater system approved by the Director of Health or connecting to a sewerage system is consistent with the Public Trust Doctrine and the policies of the Democratic Party of Hawaii as cesspools continue to threaten a healthy climate for humans and the environment unless converted and a tax credit would definitely assist owners in making the necessary conversion.

/s/ Melodie Aduja and Alan Burdick, Co-Chairs, DPH Environmental Caucus

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Temporary Credit for Cesspool Upgrade, Conversion, or Connection

BILL NUMBER: SB 777 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: For taxable years beginning after 12/31/2023, provides a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a wastewater system approved by the Director of Health, or connecting to a sewerage system. Sunsets 12/31/2028.

SYNOPSIS: Adds a new section to chapter 235, HRS, allowing a nonrefundable income tax credit for a cesspool upgrade, conversion, or connection to a sewer system.

The credit equals 100% of the qualified expenses of the taxpayer, up to \$\_\_\_\_. For a residential large capacity cesspool that services more than one dwelling, the maximum credit (apparently per taxpayer) is \$\_\_\_\_ times the number of dwellings connected to the cesspool.

Defines “qualified expenses” as costs that are necessary and directly incurred by the taxpayer for upgrading or converting a qualified cesspool into a wastewater system approved by the director of health, or connecting a qualified cesspool to a sewerage system, and that are certified as such by the appropriate government agency.

The total amount of tax credits allowed statewide is not to exceed \$\_\_\_\_. Taxpayers whose credit claims are disallowed because of the cap may claim the credit in the following year.

The Department of Health is tasked with the responsibility of examining and certifying claims for the credit.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Act 120, SLH 2015, enacted a temporary income tax credit, expiring on December 31, 2020, for 100% of the qualified costs of a cesspool upgrade, conversion, or connection, up to \$10,000. Act 182, SLH 2016, made clarifying amendments.

This measure means to reinstate the credit, which is an extension of the current effort to mitigate the public health hazards caused by cesspools, which release millions of gallons of untreated sewage into the ground. Many houses, especially in rural areas, still have them. Converting them is expensive, hence the credit to encourage homeowners to do so.

Lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.



The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the conversion of cesspools, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested: 3/13/2023



TO: House Committee on Energy & Environmental Protection  
Rep. Nicole Lowen, Chair  
Rep. Elle Cochran, Vice Chair

House Committee on Water & Land  
Rep. Linda Ichiyama, Chair  
Rep. Mahina Poepoe, Vice Chair

FROM: Lynn Miyahira representing Public Access to SunScreens (PASS) Coalition  
DATE: March 16, 2023

**Position: SUPPORT for SB 777 SD2**

The [Public Access to SunScreens](#) (PASS) Coalition is a multi-stakeholder coalition composed of public health groups, dermatologists, sunscreen manufacturers, and leading advocates for skin cancer patients.

We stand in **support of SB 777 SD2**. This proposed bill seeks to introduce an income tax credit for homeowners who upgrade or convert their cesspools to a qualified wastewater system. The process of converting cesspools to new technologies can be costly, and this bill aims to alleviate the financial burden for homeowners. By providing an income tax credit, this bill incentivizes homeowners to prioritize the conversion of their cesspools to more environmentally friendly and efficient wastewater systems. Overall, this bill is an essential step towards mitigating the adverse effects of cesspools on Hawai'i's environment and promoting the adoption of more sustainable practices.

Cesspools are a pressing issue in Hawaii and impacts our health, water quality, and coral reefs. With over 80,000 cesspools in the state, discharging about 50 million gallons of wastewater every day, immediate action is needed to mitigate their negative impact. Untreated wastewater leaking from cesspools into nearshore waters is causing high levels of nitrogen in the water (also known as eutrophication). This leads to algae blooms that suffocate and cover our coral reefs.

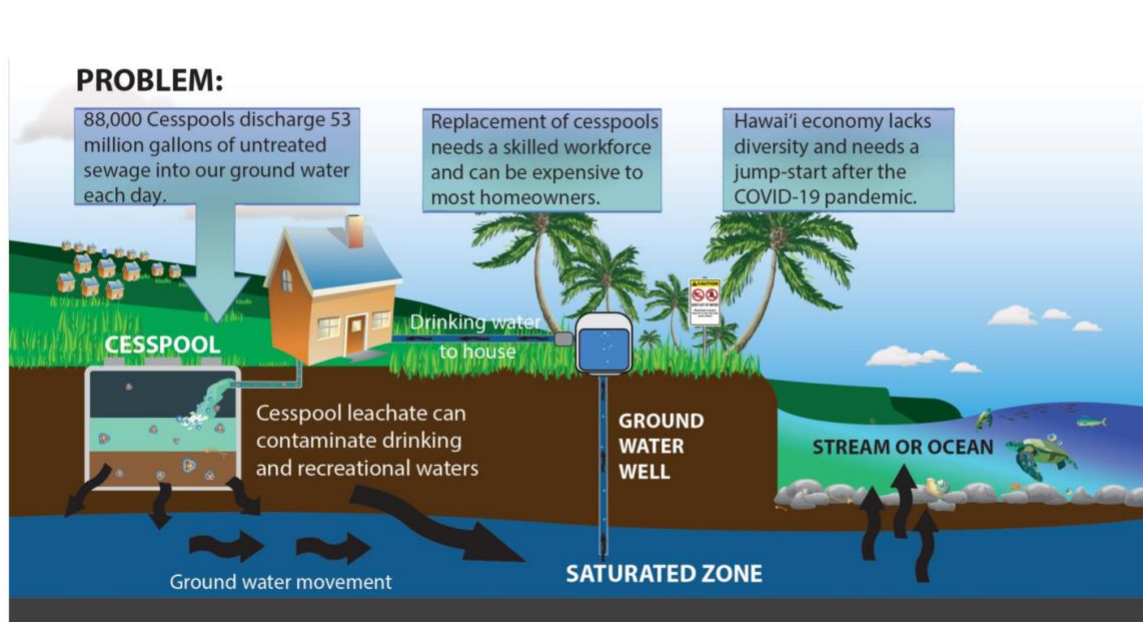
Focusing on efforts to significantly reduce the number of cesspools leaking untreated wastewater into our oceans, would have a much greater impact on our coral reefs than lesser impacts, such as sunscreen, which has not been shown in the overall scientific literature to damage reefs and have not been substantiated in the ocean (only in a lab).

We also encourage the state to look for other meaningful ways to help homeowners mitigate the financial burden associated with converting cesspools to more advanced forms of

wastewater treatment. Besides tax incentives, grants, rebates and other programs should be implemented with preference going to households in priority areas.

The state must also support workforce development programs, such as the [Workforce-4-Water \(W4W\) program](#), which is a collaborative program with Wastewater Alternatives and Innovation, the University of Hawaii and PICHTR, to ensure that Hawaii has enough skilled workers to complete all the necessary cesspool conversions. The wastewater industry has the potential to create much needed steady, professional jobs – especially on the neighbor islands – with promising career pathways to help develop an entire industry of skilled workers.

Below is an easy to understand graphic to explain the damage cesspools are doing to our groundwater, oceans and coral reefs.



Source: <https://waicleanwater.org/workforce4water>

Mahalo you for the opportunity to testify.

Sincerely,  
Lynn Miyahira  
Public Access to SunScreens (PASS) Coalition



March 15, 2023

In Support of **SB777 SD2** Relating to Cesspools  
House Committees on Energy & Environmental Protection (EEP) & WAL (Water & Land)  
Hearing on March 16, 9am, Rm. 325

Aloha, Chairs Lowen & Ichiyama, Vice-Chairs Cochran & Poepoe and Members of the Committees:

On behalf of the non-profit WAI: Wastewater Alternatives & Innovations, I am writing in **strong support of SB777**. This bill will establish an income tax credit for the cost of upgrading or converting a cesspool to a qualified wastewater system. Converting cesspools to new technologies is expensive, and this bill would help homeowners with the costs of conversion.

Hawaii has more than 83,000 cesspools across the state, discharging 52 million gallons of raw sewage each day into Hawaii's waters. That's similar to a massive sewage spill every day! The people of Hawaii need this law to make sure their wastewater systems aren't polluting the groundwater or nearby surface waters. As a member of the State's Cesspool Conversion Working Group over the last four years, we believe that bringing back economic incentives like the \$10,000 tax credits that expired in 2020 are important to jumpstart the conversion process. But we believe the amount should be raised to \$20,000 to cover the costs of conversion, which can range from \$25,000 to \$45,000.

WAI is dedicated to protecting our drinking water, groundwater and near-shore ecosystems by reducing sewage pollution from cesspools and failing septic systems. Our goal is to help find more innovative, affordable, and eco-friendly solutions to wastewater management. Better sanitation systems reduce sewage pollution and make properties more valuable, while also protecting our groundwater, streams and the health of our coral reefs and coastal areas.

Hawaii is struggling with serious sewage pollution problems, and the state has a mandate to make sure all cesspools are converted in the next three decades. This tax credit will have more appeal and effectiveness. Although this bill will primarily benefit people with larger tax burdens, it is a good companion to HB2195 / Act 153 (2022), which will focus on giving up to \$20,000 in rebates to lower-mid income homeowners. It will also help the state meet the mandate to convert all cesspools by 2050. Mahalo for your leadership on this issue and support of this bill.

Aloha,

*Stuart Coleman*

Stuart H. Coleman, Executive Director

**SB-777-SD-2**

Submitted on: 3/12/2023 12:40:51 PM

Testimony for EEP on 3/16/2023 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Shannon Rudolph	Individual	Support	Written Testimony Only

Comments:

Support

**SB-777-SD-2**

Submitted on: 3/13/2023 10:23:33 AM

Testimony for EEP on 3/16/2023 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Hawai'i has more than 80,000 cesspools that release more than 50 million gallons of raw sewage into the state's groundwater and surface waters every day. Cesspools are an antiquated technology for the disposal of untreated sewage that can pollute drinking water, streams, coastal waters, and coral reefs, posing a significant threat to the environment and to human health. There is a clear need for a cesspool upgrade, conversion, or connection tax credit. Please support SB777 SD2.

**SB-777-SD-2**

Submitted on: 3/13/2023 6:09:18 PM

Testimony for EEP on 3/16/2023 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Gene Ross K. Davis	Individual	Support	Written Testimony Only

Comments:

I support SB777

Mahalo nui

**SB-777-SD-2**

Submitted on: 3/13/2023 6:10:28 PM

Testimony for EEP on 3/16/2023 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Rosie F Davis	Individual	Support	Written Testimony Only

Comments:

Aloha, I support SB777

Thank you Rosie



**SB-777-SD-2**

Submitted on: 3/14/2023 9:28:04 AM

Testimony for EEP on 3/16/2023 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Faith Tuipulotu	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am in support of SB 777.

Faith Tuipulotu