



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, February 13, 2024, 10:05 AM
State Capitol, Conference Room 211
in consideration of
Senate Bill No. 2498, SD1
RELATING TO FINANCING

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

Thank you for the opportunity to testify on SB2498, SD1, relating to financing. The Hawai'i Green Infrastructure Authority (HGIA) **strongly supports** this bill which establishes a cesspool conversion revolving loan fund.

Estimated to cost between \$3.0 to \$4.0 billion¹, converting some 83,000 cesspools to Department of Health approved septic systems or to connect to new or existing wastewater systems by 2050, will require a suite of financing tools including but not limited to grants, tax credits, conventional loans and non-traditional loans.

SB2498 proposes to provide non-traditional low-cost loans, which may be paired with grants or other incentives, to low and moderate-income homeowners. Repurposing principal repaid by borrowers under the Green Energy Market Securitization (GEMS) funded loan program, will provide a steady source of non-general funded capital for the cesspool conversion revolving loan fund, as GEMS loans are repaid over a 20-year period. Capitalization of the cesspool conversion revolving loan fund may also be augmented with Federal and other funding sources.

Based on the appetite of our local lenders, the Authority may leverage these funds with conventional loan capital, by providing credit enhancements to reduce risks for banks and credit unions, to further expand access to cesspool conversion financing to “near-bankable” borrowers.

¹ Hawaii Economic Association, “The Economics of Eliminating Cesspools in Hawaii”

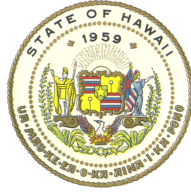
The Authority respectfully requests that the position in the original version of the bill be re-inserted. With over 790 solar PV loans in process, HGIA does not have the capacity to design, launch and implement a cesspool conversion loan program with existing staff. However, with this bill enabling the Authority to retain its earned interest income under the GEMS financing program, the Legislature need not fund the full-time equivalent program management loan officer position with general funds, it can instead be funded through special funds from the interest revenue earned by the Authority.

Please insert the following as Section 4 and renumber sections 5 and 6:

SECTION 4. There is appropriated out of the Hawaii Green Infrastructure Authority's special fund the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2024-2025 for one full-time equivalent (1.0 FTE) program management and loan officer position and to provide loans or other financial assistance to eligible borrowers for cesspool conversion loans or other authorized uses.

The sum appropriated shall be expended by the Hawaii green infrastructure authority for the purposes of this Act.

Thank you for this opportunity to provide comments and testify in strong support of SB2498, S.D.1.



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
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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 Senate Committees on
AGRICULTURE AND THE ENVIRONMENT
And
ENERGY, ECONOMIC DEVELOPMENT AND TOURISM**

**Tuesday February 13, 2024
10:05 AM**

State Capitol, Via Videoconference, Conference Room 229

**In support of
SENATE Bill 2498 SD1
RELATING TO FINANACING**

Senate Bill 2498 SD1 establishes the Cesspool Conversion Revolving Loan Fund and directs green energy market securitization loan repayments and interest to be deposited into the Cesspool Conversion Revolving Loan Fund. The bill requires the Hawai'i Green Infrastructure Authority to administer the Cesspool Conversion Revolving Loan Fund. **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. Cesspools are little more than holes in the ground that discharge raw, untreated human waste. Cesspools in Hawai'i release approximately 53 million gallons of untreated sewage into the ground each day. Cesspools can contaminate ground water, drinking water sources, streams and oceans with disease-causing pathogens such as bacteria, protozoa and viruses that can cause gastroenteritis, Hepatitis A, conjunctivitis, leptospirosis, salmonellosis and cholera.

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. Removal may not be achievable by 2050 as directed by Act 125, Session Laws of Hawai'i 2017, without financing support for replacement. The Commission's 2022 update to the *Sea Level Rise Vulnerability and Adaptation Report* Recommended Action 6.4 counsels that the State should 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. Cesspools on the shoreline and in the coastal zone will be an increasing source of nonpoint source pollution as groundwater rises and coastal erosion accelerates. The Commission defers to the Hawai'i Green Infrastructure on

administrative recommendations for the program but recognizes the need of the State to build capacity for climate resiliency programs such as this and respectfully recommends that this bill revert to the original version.

Mahalo for the opportunity to testify in support of this measure.

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 13, 2024
10:05 a.m.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

MEASURE: S.B. No. 2498, SD1
TITLE: RELATING TO FINANCING.

DESCRIPTION: Establishes the Cesspool Conversion Revolving Loan Fund. Directs green energy market securitization loan repayments and interest to be deposited into the Cesspool Conversion Revolving Loan Fund. Requires the Hawaii Green Infrastructure Authority to administer the Cesspool Conversion Revolving Loan Fund. Requires annual reports to the Legislature.

POSITION:

The Public Utilities Commission (“Commission”) supports the intent of this measure and offers the following comments for consideration.

COMMENTS:

The Commission appreciates the intent of this bill to serve the public interest through establishment of a cesspool conversion revolving loan program to be administered by the Hawaii Green Infrastructure Authority (HGIA). The Commission notes the severity of the problem created by cesspools and the need for financing to support their conversion.

The Commission is charged with establishing and reporting on the achievement of the statewide energy efficiency portfolio standard (EEPS) goal, pursuant to HRS § 269-96. The Commission’s Public Benefits Fee Administrator (or PBFA, also known as Hawaii Energy) was statutorily established through HRS § 269-121 through § 269-124 and has been the primary contributor to achieving our state’s EEPS target. Hawaii Energy, a

nationally recognized energy efficiency implementer, has been successfully delivering energy-reducing and cost-saving programs and services to Hawaii's residents and businesses since its inception nearly 15 years ago, and is funded through a public benefits fee (PBF) surcharge to Hawaiian Electric ratepayers.

The Hawaii Green Infrastructure Authority, and associated GEMS loan program, were founded through Act 211 in the 2013 Hawaii State Legislature and is established in statute via HRS § 196-61 through § 196-70 and in the Commission's oversight via HRS § 269-161 through § 269-176. The GEMS program is financed through a ratepayer-funded Green Infrastructure Fee (GIF), which was approved by the Commission in 2014 as a reduction to the PBF collections (also known as PBF offset) in order to minimize bill impact to Hawaii's ratepayers. Beginning in 2014, the annual GIF collection amount (and associated PBF reduction) has been approximately \$13.5 million per year and will continue through January 2029. To date, the PBF reduction amount is approximately \$117 million, of which HGIA has repaid approximately \$16 million.

The Commission recognizes the success of Hawaii Green Infrastructure Authority's oversight of the GEMS loan program since its establishment in 2014, and particularly its achievement in the last seven years during which time it deployed over 80% of its available green infrastructure loan funds. The Commission also commends HGIA's continued exploration of Green Bank opportunities for Hawaii's residents and businesses, aligned with our state's clean energy, environmental improvement, and equity initiatives. S. B.2498 SD1 importantly proposes a program which supports low- and moderate-income households in service of Hawaii's cesspool remediation goals.

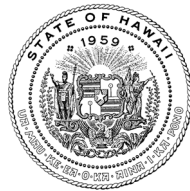
The Commission respectfully requests that S.B. 2498 SD1 proposed modifications to HGIA's repayment plan to the PBF include policy consideration for both the state's energy efficiency targets, as well as cesspool remediation goals.

If the Committee does not prefer that approach, the Commission recommends that GEMS principal repayments continue to replenish public benefits fee collection reductions, and that the GEMS interest payments be redirected to support the establishment of the proposed Cesspool Conversion Revolving Loan Fund. The Commission understands that this would accomplish the goals of this measure while allowing repayment to the PBF during a critical time for energy efficiency. The Commission offers a proposed amendment in line with this recommendation:

“§196- Cesspool conversion revolving loan fund. (a) There is established in the Hawaii green infrastructure special fund established under section 196-65, the cesspool conversion revolving loan fund that shall be administered by the authority. Funds deposited into the cesspool conversion revolving loan fund shall not be under the jurisdiction of nor subject to approval by the commission and shall include:

- (1) Principal ~~and~~ or interest repayments from green infrastructure loans made under section 196-65;

Thank you for the opportunity to testify on this measure.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

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

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2498, S.D. 1

February 13, 2024
10:05 a.m.
Room 211 and Videoconference

RELATING TO FINANCING

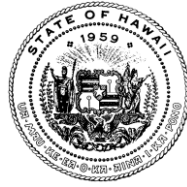
The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 2498, S.D. 1, establishes the Cesspool Conversion Revolving Loan Fund (CCRLF) to be administered by the Hawai'i Green Infrastructure Authority (HGIA) for the purpose of providing low-cost loans or other authorized financial assistance to eligible low and moderate income households to update or convert existing cesspools as approved by the Department of Health. For clarification, B&F notes that similar to the Clean Energy and Energy Efficiency Revolving Loan Fund already under the administration of HGIA, the proposed CCRLF would be a special fund since it is established as a subaccount within the HGIA's Hawai'i Green Infrastructure Special Fund.

As a matter of general policy, B&F 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. Regarding S.B. No. 2498, S.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.



STATE OF HAWAII
DEPARTMENT OF HEALTH
KA 'OIHANA OLAKINO
P. O. BOX 3378
HONOLULU, HI 96801-3378
doh.testimony@doh.hawaii.gov

In reply, please refer to:
File:



**Testimony COMMENTING on SB2498 SD1
RELATING TO FINANCING**

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

Hearing Date: 2/13/2024

Room Number: 211

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department supports this measure to encourage the acceleration
3 of cesspool conversions and allow the Hawai'i green infrastructure authority to retain earned
4 interest to cover its operating expenses while repurposing the repaid principal of green energy
5 market securitization (GEMS) funded solar loans to fund a cesspool conversion revolving loan
6 fund would create a long-term source of capital that, when combined with federal funds, serves a
7 necessary public purpose and respectfully submits the following comments.

8 It is our understanding that chapter 196, Hawai'i Revised Statutes will be amended.
9 Amendments to section 196-64 will describe the functions, powers, and duties of the Hawai'i
10 green infrastructure authority. Amendments to section 196-65 will establish the cesspool
11 conversion revolving fund in the Hawai'i green infrastructure special fund that shall be
12 administered by the Hawai'i green infrastructure authority. Amendments to section 196-65.5
13 will administer the revolving loan fund. Additional amendments to section 196- will administer
14 the cesspool conversion revolving loan fund.

15 For clarification, the amendments to chapter 196, Hawai'i Revised Statutes may
16 reference chapter 342D, but not implement and administer the cesspool conversion revolving
17 fund loan program with funding available under chapter 342D-83.

18 **Offered Amendments:** None.

19 Thank you for the opportunity to testify.



**Testimony of the
Hawai'i State Association of Counties
S.B. No. 2498 S.D. 1**

Relating to Financing.

Committee on Ways and Means
Tuesday, February 13, 2024, 10:05 a.m.

The Hawai'i State Association of Counties (HSAC) **supports** S.B. 2498 S.D.1, which establishes the Cesspool Conversion Revolving Loan Fund, administered by the Hawai'i Green Infrastructure Authority, to be used to provide low-interest loans to low- and moderate-income households to upgrade or convert existing cesspools.

Statewide there are almost eighty-three thousand cesspools in Hawai'i, which release millions of gallons of untreated sewage into the ground contributing to the pollution of groundwater, which makes up most of Hawai'i's drinking water.

The conversion of onsite wastewater treatment systems requires substantial investment of funds. S.B. 2498 S.D.1, establishes a financial program to provide financial assistance to convert existing cesspools to septic systems, aerobic treatment systems, or connection to existing sewer systems.

For these reasons, the Hawai'i State Association of Counties strongly supports S.B. 2498 S.D.1 and requests your favorable consideration of this measure.

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualii, Vice Chair
Addison Bulosan
Bernard P. Carvalho, Jr.
Felicia Cowden
Bill DeCosta
Ross Kagawa



OFFICE OF THE COUNTY CLERK

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Lyndon M. Yoshioka, Deputy County Clerk

Telephone: (808) 241-4188
Facsimile: (808) 241-6349
Email: cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

February 12, 2024

TESTIMONY OF ADDISON BULOSAN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 2498, SD 1, RELATING TO FINANCING
Senate Committee on Ways and Means
Tuesday, February 13, 2024
10:05 a.m.
Conference Room 211
Via Videoconference

Dear Chair Dela Cruz and Members of the Committee:

Thank you for this opportunity to provide testimony in SUPPORT of SB 2498, SD 1, Relating to Financing. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

I wholeheartedly support the intent of SB 2498, SD 1, which would greatly affect the Kaua'i community.

Thank you again for this opportunity to provide testimony in support of SB 2498, SD 1. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via email to cokcouncil@kauai.gov.

Sincerely,

ADDISON BULOSAN
Councilmember, Kaua'i County Council

AAO:ss

February 13, 2024

The Honorable Donovan M. Dela Cruz, Chair

Senate Committee on Ways and Means
State Capitol, Conference Room 211 & Videoconference

RE: Senate Bill 2498, SD1, Relating to Financing

HEARING: Tuesday, February 13, 2024, at 10:05 a.m.

Aloha Chair Dela Cruz, Vice Chair DeCoite, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **supports** Senate Bill 2498, SD1, which establishes the Cesspool Conversion Revolving Loan Fund. Directs green energy market securitization loan repayments and interest to be deposited into the Cesspool Conversion Revolving Loan Fund. Requires the Hawaii Green Infrastructure Authority to administer the Cesspool Conversion Revolving Loan Fund. Requires annual reports to the Legislature.

HAR supports the goal of protecting our water and ocean resources and recognize that cesspool conversion is important to preserve our environment. There are approximately 83,000 cesspools divided into three priorities¹ (48,596 on Hawaii Island; 14,300 on Kauai; 11,038 on Maui; 1,400 on Molokai; and 7,491 on Oahu) with only 26 years to meet the state's mandate to convert all cesspools to a Director of Health ("DOH") approved wastewater system. To convert 83,000 cesspools by 2050, at least 3,192 cesspools need to be converted per year.

Affordability and financial planning are key. The Cesspool Conversion Working Group conducted an affordability analysis² for homeowners. Based on the analysis, 97% of homeowners would be financially burdened by cesspool conversion costs. Equally concerning, even with a \$10,000 rebate 82% of homeowners would still be financially burdened. Most homeowners will not be able to afford to do this alone and would need additional assistance to ensure they can meet the mandate to convert. As such, this fund can be a beneficial tool in helping low- and moderate-income homeowners convert their cesspools to a DOH approved wastewater system.

For the foregoing reasons, the Hawai'i Association of REALTORS® supports this measure. Mahalo for the opportunity to testify.

¹ University of Hawai'i Sea Grant College Program. *Hawai'i Cesspool Prioritization Tool*.

<https://seagrant.soest.hawaii.edu/cesspools-tool/>

² Cesspool Conversion Working Group. (2022). *Final Report to the 2023 Regular Session Legislature*. State of Hawai'i Department of Health. <https://health.hawaii.gov/opppd/files/2022/12/Act-170-SLH-2019-Nov-2022.pdf>

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SanHi

GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 13, 2024

TO: Senator Donovan Dela Cruz
Chair, Committee on Ways and Means

FROM: Mihoko Ito / Tiffany Yajima

RE: **S.B. 2498, SD1 – Relating to Financing**
Hearing Date: Tuesday, February 13, 2024 at 9:05 a.m.
Conference Room: 325

Dear Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA **opposes** S.B. 2498, SD1, which establishes a cesspool conversion on-bill financing program to be administered by the Hawaii green infrastructure authority to provide low-interest loans to eligible homeowners for the upgrade, conversion, or connection of cesspools. The mechanism used for these loans is a property assessed clean energy loan program, also known as PACE loans.

HBA opposes this measure because it will ultimately hurt homeowners and borrowers seeking to obtain a mortgage loan to sell or buy a home. The fundamental problem with this bill is that creates a "super lien" for PACE loans which are senior to other previously recorded liens by being on par in lien priority with real property taxes. This would essentially allow a PACE loan to jump in priority ahead of a first mortgage and any other liens. Allowing for one type of loan to automatically gain super lien status would negatively impact a bank's overall stability and elevate risk, which in turn would tighten credit markets and hurt consumers who need access to capital.

While we appreciate the intent of the bill to provide alternative financing options for low- and moderate-income homeowners, we recommend that the State consider a more collaborative approach in partnership with local financial institutions and mortgage lenders.

HBA appreciates that the stated purpose of the measure is to help property owners access financing for the purpose of making improvements to their properties. However, we are opposed to this bill because residential PACE could

negatively impact the residential mortgage market and homeowners. Residential PACE loans ultimately hurt homeowners because it reduces their equity in property. It also impacts banks' ability to lend because it ultimately increases lending risks.

We have serious concerns about the structure of residential PACE programs. The Consumer Financial Protection Bureau issued a report on residential PACE loans, which found that the loans cause an increase in borrowers falling behind on their mortgage payments, along with other negative credit outcomes. Putting this pressure on lower-income families is likely to be an unintended consequence of a program as written. Adding debt and monthly payments to lower-income families without significant subsidies would put further pressure on household expenses and puts homeowners at risk to maintain homeownership. Due to the many concerns regarding residential PACE programs and impacts on homeowners, there are very few states who have moved forward with residential PACE.

Knowing that the cesspool conversion deadline is January 1, 2050, HBA is willing to participate in discussions regarding viable alternatives, including special loan programs with subsidies that can meet the intent of this bill. Solutions like intermediary credit enhancements, governmental subsidies, and flexible non-traditional lending terms are routinely used to solve community and economic development financing issues to address community-wide infrastructure and financing gaps for lower-income families. These alternatives would provide longer-term solutions, while also not jeopardizing the safety and soundness of lending portfolios.

Finally, we should note that in 2022, the Legislature did establish a PACE loan program for commercial property (C-PACE) under Act 183 (2022). While the bill as originally proposed included a residential PACE program, due to the significant concerns expressed by the banking industry, the compromise was to allow for C-PACE to move forward, with clear prior written consent provisions by each holder or loan servicer of other existing mortgages or loans. H.B. 2066 as written does not include any safeguards to protect lien holders and makes this bill unworkable for financing entities.

For these reasons, we oppose this bill and ask that it be held in committee. Thank you for the opportunity to testify on this bill.



Testimony to the Senate Committee on Ways & Means
Tuesday, February 13, 2024 at 10:05 AM
Conference Room 211

Testimony in Opposition to SB 2498, Relating to Financing

To: The Honorable Donovan Dela Cruz, Chair
The Honorable Sharon Moriwaki, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 47 Hawaii credit unions, representing over 864,000 credit union members across the state.

HCUL offers the following comments in opposition to SB 2498, Relating to Financing. This bill establishes the Cesspool Conversion Revolving Loan Fund, directs green energy market securitization loan repayments and interest to be deposited into the Cesspool Conversion Revolving Loan Fund, and requires the Hawai'i Green Infrastructure Authority to administer the Cesspool Conversion Revolving Loan Fund.

While we understand that the intent of this measure is to provide a method of financing for certain improvements, we have been concerned about this particular type of loan being secured by the property itself, which means it is a senior lien. Because the structure of the PACE loan would make the mortgage lien second to the PACE lien, lenders would have to take the risk into account when making the loan. With the home tied to the PACE loan, there is also a significantly higher risk to the borrower.

Further, we would note that many Hawaii financial institutions, including credit unions, currently offer specialized, low-cost loans for green energy home improvements.

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



LATE

Feb. 13, 2024

In Support of **SB2498 SD1** Relating to Financing
Senate Committees on Ways And Means (WAM)
Hearing on Feb. 13, 10:05 am, Rm. 211

Aloha, Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the WAM Committee:

On behalf of the non-profit WAI: Wastewater Alternatives & Innovations and the Cesspool Legislative Task Force, I am writing in **strong support of SB2498 SD1, Relating to Financing**. This bill would create a revolving loan program to help homeowners pay for cesspool conversions, which could cost anywhere between \$25,000-\$50,000. This bill is consistent with the recommendations of the State's Cesspool Conversion Working Group, on which I served from 2018-2022.

Under Act 125 (2017), all cesspools are mandated to be converted by 2050. To help finance these conversions, SB2498 proposes to provide non-traditional low-cost loans, which may be paired with grants or other incentives, to low and moderate-income homeowners. Repurposing principal repaid by borrowers under the Green Energy Market Securitization (GEMS) funded loan program, will provide a steady source of non-General Fund capital for the cesspool conversion revolving loan fund, as GEMS loans are repaid over a 20-year period. Capitalization of the cesspool conversion revolving loan fund may also be augmented with Federal and other funding sources.

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! Along with threats to public health and drinking water resources, new research in Nature shows that this polluted wastewater poses significant harm to coral reefs and the near-shore environment. The people of Hawaii need this law to make sure their wastewater systems aren't polluting the groundwater or nearby surface waters.

WAI is an environmental non-profit 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 and help homeowners with the conversion process. Better sanitation systems reduce sewage and nutrient pollution and make properties more valuable, while also protecting public health and valuable natural resources like groundwater, streams, 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 bill will provide the necessary funding to create the kind of financing to low-moderate income homeowners that is needed to convert cesspools across the state. Mahalo for your leadership on this issue and support of this bill.

Aloha,
Stuart Coleman
Stuart H. Coleman, Executive Director