

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



**Testimony COMMENTING on SB0472
RELATING TO CESSPOOLS**

SENATOR JOY A. SAN BUENAVENTURA, CHAIR
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

SENATOR MIKE GABBARD, CHAIR
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

January 31, 2025, 1:00 pm. Room Number: 225

1 **Fiscal Implications:** The Department of Health (“Department”) requests that this measure be
2 considered as a vehicle to provide this needed funding so long as it does not supplant the
3 priorities and requests outlined in the Governors executive budget request.

4 **Department Position:** The Department offers comments and proposed amendments on this
5 measure.

6 **Department Testimony:** The Environmental Management Division Wastewater Branch (EMD-
7 WWB) provides the following testimony on behalf of the Department.

8 The Department supports the staggering of the dates for required upgrades,
9 conversions, or connections of priority levels 1, 2, and 3 cesspools, appropriating moneys to
10 provide financing assistance via the cesspool compliance pilot grant project established
11 pursuant to Act 153, Session Laws of Hawaii 2022; and establishing a cesspool upgrade,
12 conversion, or connection income tax credit.

1 The Department has concerns with accelerating the dates for required upgrades,
2 conversions, or connections of priority levels 1 and 2 cesspools. The Department has been told
3 that resource availability (e.g., financial; qualified contractors, engineers, and laborers;
4 equipment; and materials) is the major obstacle to cesspool conversions or connections to
5 sewerage systems. After operating the Hawai'i cesspool compliance pilot grant (HCCPG)
6 program from July 1, 2022, to present, the Department experienced more grant applicants than
7 it could accept into the program. Furthermore, the time duration from the start of the HCCPG
8 program to the time the moneys lapsed was too short for all property owners to complete their
9 wastewater project.

10 The Department will be unable to properly implement the cesspool compliance pilot
11 grant project established pursuant to Act 153, Session Laws of Hawaii 2022 without establishing
12 three (3) FTE positions within the Department, which would include two (2) full-time equivalent
13 (2.0 FTE) permanent engineer III positions and one (1) full-time equivalent (1.0 FTE) permanent
14 accountant IV position.

15 **Offered Amendments:** The Department respectfully suggests the following revisions to
16 Part IV of the proposed measure regarding the tax credit process. Additions appear as double-
17 underlined and deletions appear as bracketed strikeouts.

18 SECTION 5, Page 7, lines 9-20 and Page 8, lines 1-3: “(e) The department of
19 health or a third-party certifier shall:

20 (1) Certify all qualified cesspools for the purposes of this section[;] using the the
21 university of Hawai'i's Hawai'i cesspool prioritization tool;

22 (2) Collect and maintain a record of all qualified expenses certified by the
23 department of health or a third-party certifier for the taxable year;[-and]

24 (3) Certify to each taxpayer the amount of credit the taxpayer may claim; provided
25 that if, in any year, the annual amount of certified credits reaches \$ _____ in the

1 aggregate, the department of health or a third-party certifier, shall immediately
2 discontinue certifying credits and notify the department of taxation[-]; and

3 (4) Request a copy of the approval to use letter for the wastewater system issued by
4 the director of health.

5 The director of health may adopt rules under chapter 91 as necessary to implement the
6 certification requirements under this section."

7 SECTION 5, Page 9, lines 1-16: "Cesspool" has the same meaning as in section
8 342D-72. "Qualified cesspool" means a cesspool that is:

9 ~~[(1) Certified by the department of health to be:~~

10 ~~(A)(1) Located within a priority level 1 or 2 area according to the university of [Hawaii's~~
11 ~~2022 Hawaii]Hawai'i's Hawai'i cesspool [hazard assessment and]prioritization tool; or~~

12 ~~[(B)(2)A residential large capacity cesspool[-] or.]~~

13 ~~[(2) Certified by a county or private sewer company to be appropriate for connection to~~
14 ~~its existing sewerage system.]~~

15 "Qualified expenses" means costs that are necessary and directly incurred by the
16 taxpayer for upgrading or converting a qualified cesspool to a director of health-approved
17 wastewater system, or connecting a qualified cesspool to a sewerage system, and that are
18 certified as such by the department of health or a third-party certifier."

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



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:
S.B. NO. 472, RELATING TO CESSPOOLS.

BEFORE THE:
SENATE COMMITTEES ON HEALTH AND HUMAN SERVICES AND ON
AGRICULTURE AND ENVIRONMENT

DATE: Friday, January 31, 2025 **TIME:** 1:00 p.m.

LOCATION: State Capitol, Room 225

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Joanna Yeh, Deputy Attorney General

Chairs San Buenaventura and Gabbard and Members of the Committees:

The Department of the Attorney General provides the following comments.

The purpose of this bill is to implement various recommendations of the Cesspool Conversion Working Group, established by Act 132, Session Laws of Hawaii 2018.

This bill is entitled "Relating to Cesspools." Section 7 of the bill, however, would eliminate the auditing requirement on tax credits for organically produced agricultural products. Page 10, line 15, through page 12, line 4.

This bill may be subject to challenge under the single subject requirement of section 14 of article III of the State Constitution, which provides, in part: "Each law shall embrace but one subject, which shall be expressed in its title." The subject expressed in this bill's title is "cesspools." The deletion of the Auditor's obligation to audit the tax credits for organically produced agricultural products (page 11, lines 16-17) appears unrelated to this subject.

To address this concern, the Department recommends either: (1) deleting section 7 of the bill (page 10, line 15, through page 12, line 4); or (2) revising section 1 of the bill to explain how the repeal of the Auditor's responsibility to review the income tax credit for organically produced agricultural products is related to cesspools.

We respectfully ask the Committee to make the recommended amendments if the bill is to pass. Thank you for the opportunity to provide comments on the bill.

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

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

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. 472, Relating to Cesspools

BEFORE THE:

Senate Committees on Health and Human Services and Agriculture and Environment

DATE: Friday, January 31, 2025

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 225

Chairs Buenaventura and Gabbard, Vice-Chairs Aquino and Richards, III, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 472 for your consideration.

Section 5 of S.B. 472 amends chapter 235, Hawaii Revised Statutes (HRS), by adding an income tax credit for costs that are necessary and directly incurred by the taxpayer for upgrading or converting a qualified cesspool to a Director of the Department of Health-approved wastewater system, or connecting a qualified cesspool to a sewerage system, and that are certified as such by the Department of Health. The credit is capped at \$10,000, provided that in the case of a qualified cesspool that is a residential large capacity cesspool, the amount of the credit shall be equal to the qualified expenses of the taxpayer, up to a maximum of \$10,000 per residential dwelling connected to the cesspool. Further, taxpayers are limited to one income tax credit per cesspool, and only for the taxable year in which the qualified expenses are certified by the Department of Health, with a yet to be determined annual global credit cap. Excess credits can be carried forward into subsequent years until exhausted. The Department of Health will provide the claimant with a certification of the credit to file with DOTAX.

The bill takes effect upon approval, and the income tax credit shall apply to taxable years beginning after December 31, 2024.

DOTAX can administer this bill as written but defers to the Department of Health on its ability to issue certification as outlined in this bill. In the event the Department of Health cannot certify this credit, DOTAX requests that a third-party certification requirement be maintained, as certification streamlines the filing and processing of credit claims.

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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT GOVERNOR



Hawaii Green Infrastructure Authority

An Agency of the State of Hawaii

JAMES KUNANE TOKIOKA
CHAIR

GWEN S YAMAMOTO LAU
EXECUTIVE DIRECTOR

Testimony of
Gwen Yamamoto Lau
Executive Director
Hawaii Green Infrastructure Authority
before the
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
and
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Friday, January 31, 2025, 1:00 PM
State Capitol, Conference Room 225
in consideration of
SENATE BILL NO. 472
RELATING TO CESSPOOLS

Chairs San Buenaventura and Gabbard, Vice Chairs Aquino and Richards and
Members of the Committees:

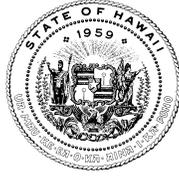
Thank you for the opportunity to testify and provide comments on Senate Bill No. 472 relating to cesspools. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which provides for staggered deadlines to upgrade priority level 1 and level 2 cesspools ahead of the existing 2050 deadline.

Prioritizing and accelerating conversion dates for systems with the most severe impacts will not only provide more timely protection of our groundwater sources, but it will also provide a sense of urgency while allowing the industry to gear up for increased demand to convert some 13,800 priority level 1 cesspools and some 12,400 priority level 2 cesspool ahead of the January 1, 2050 deadline.

We support the measure so long as it does not adversely impact priorities identified in Executive Budget Request for FY2026. Thank you for this opportunity to testify and provide comments on Senate Bill No. 472.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawaii*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawaii'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEES ON HEALTH AND HUMAN SERVICES &
AGRICULTURE AND ENVIRONMENT
HEARING ON JANUARY 31, 2025 AT 1:00PM IN CR 225

SB 472, RELATING TO CESSPOOLS

January 30, 2025

Aloha Chairs San Buenaventura and Gabbard, Vice Chairs Aquino and Richards, and Members of the Committees:

The Department of Hawaiian Home Lands (DHHL) **supports** this bill which 1) accelerates the dates for the required upgrades, conversions, or connections of priority level 1 and priority level 2 cesspools to 2035 and 2040 respectively, 2) appropriates funds to implement the cesspool compliance pilot grant program, and 3) re-establishes a cesspool upgrade, conversion, or connection tax credit.

Approximately 2,500 cesspools exist on Hawaiian Home Lands and majority of which are ranked as priority level 1 or priority level 2 cesspools to be upgraded, converted, or connected to a sewerage system. DHHL acknowledges the various recommendations of the working group established by Act 132, Session Laws of Hawaii 2018, including accelerating the 2050 deadline for the required upgrades, conversions, or connections of priority level 1 and priority level 2 cesspools. While DHHL understands the urgency to complete these upgrades, conversions or connections, the necessary resources will be vital to meeting these accelerated deadlines.

DHHL supports funding to implement the Cesspool Compliance Pilot Grant Project that also serves lessees on Hawaiian Home Lands. DHHL also supports reestablishing a cesspool upgrade, conversion, or connection tax credit.

DHHL understands that there is no simple, one method fits all ahupua'a (land division) solution toward addressing the cesspool conversion and wastewater needs of the State of Hawaii and we especially support funding to implement the cesspool compliance pilot grant program.

Thank you for your consideration of our testimony.

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualii, Vice Chair
Addison Bulosan
Bernard P. Carvalho, Jr.
Felicia Cowden
Fern Holland
Arryl Kaneshiro



OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Lyndon M. Yoshioka, Deputy County Clerk

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

January 30, 2025

TESTIMONY OF BERNARD P. CARVALHO, JR.
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 472, RELATING TO CESSPOOLS
Senate Committee on Health and Human Services
Senate Committee on Agriculture and Environment
Friday, January 31, 2025
1:00 p.m.
Conference Room 225
Via Videoconference

Dear Chair San Buenaventura, Chair Gabbard, and Members of the Committees:

Thank you for this opportunity to provide testimony in SUPPORT of SB 472, Relating to Cesspools. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council and Secretary of the Hawai'i State Association of Counties.

SB 472 accelerates cesspool upgrades, provides financial assistance through grants, and reinstates a tax credit to help property owners comply. Hawai'i's cesspools release 50 million gallons of untreated wastewater daily, polluting groundwater, harming coral reefs, and threatening public health. This Bill is a necessary step to reduce pollution, protect drinking water, and improve our environment.

Further, SB 472 protects public health by reducing water contamination and the risk of waterborne illnesses, safeguards the environment by preventing wastewater from damaging marine life and coral reefs, supports homeowners by providing financial assistance to help with costly upgrades, and builds a sustainable future by helping Hawai'i meet its clean water and climate goals.

SB 472 is a practical and necessary solution to a growing problem, and I urge you to support SB 472 to protect our water, health, and future generations.

Thank you again for this opportunity to provide testimony in support of SB 472. 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,

BERNARD P. CARVALHO, JR.
Councilmember, Kaua'i County Council

AAO:mdt



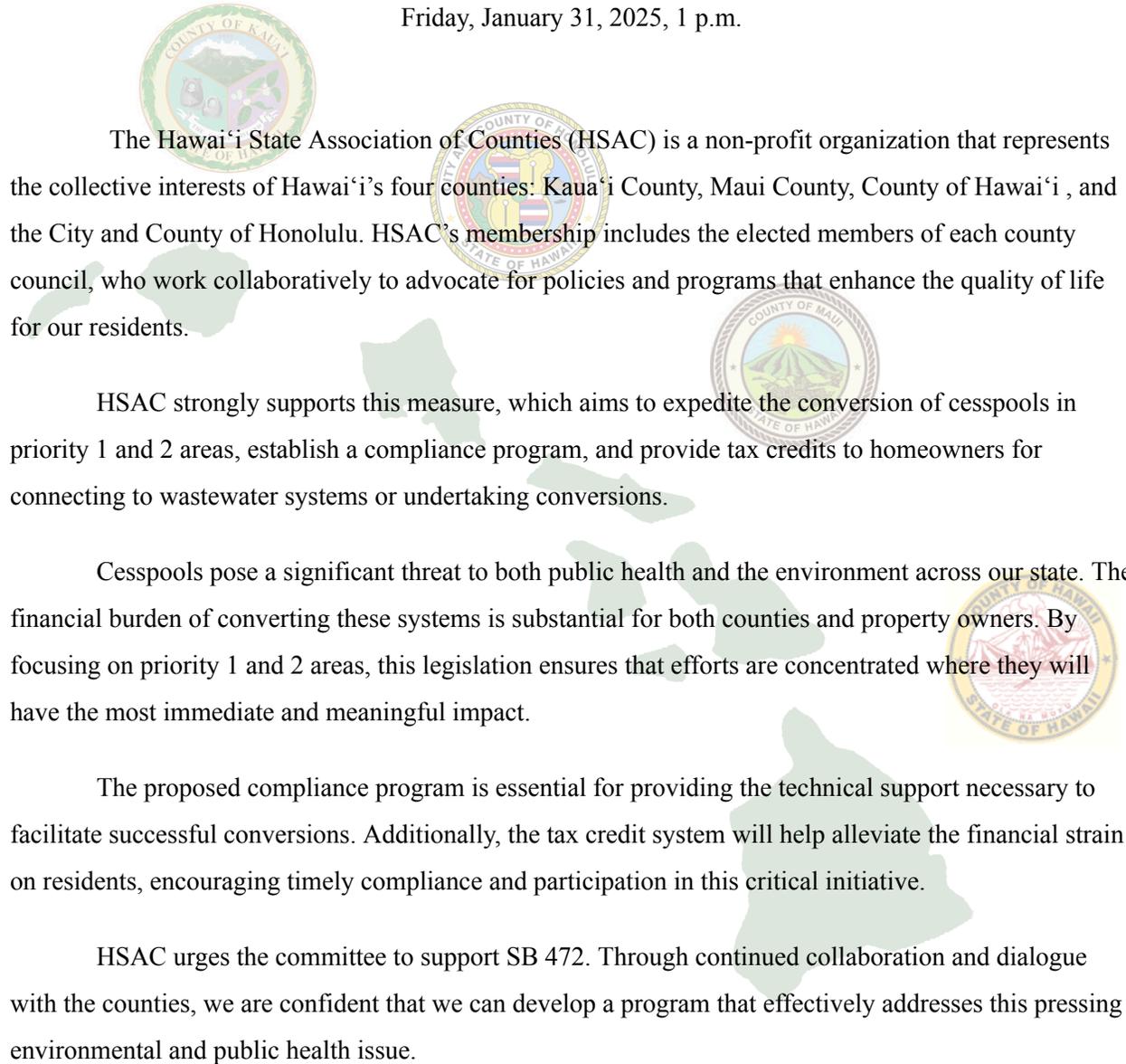
Testimony of the Hawai'i State Association of Counties

S.B. No. 472 - Support

Relating to Cesspools

Committee on Health & Human Services and Committee on Agriculture & Environment

Friday, January 31, 2025, 1 p.m.



The Hawai'i State Association of Counties (HSAC) is a non-profit organization that represents the collective interests of Hawai'i's four counties: Kaua'i County, Maui County, County of Hawai'i, and the City and County of Honolulu. HSAC's membership includes the elected members of each county council, who work collaboratively to advocate for policies and programs that enhance the quality of life for our residents.

HSAC strongly supports this measure, which aims to expedite the conversion of cesspools in priority 1 and 2 areas, establish a compliance program, and provide tax credits to homeowners for connecting to wastewater systems or undertaking conversions.

Cesspools pose a significant threat to both public health and the environment across our state. The financial burden of converting these systems is substantial for both counties and property owners. By focusing on priority 1 and 2 areas, this legislation ensures that efforts are concentrated where they will have the most immediate and meaningful impact.

The proposed compliance program is essential for providing the technical support necessary to facilitate successful conversions. Additionally, the tax credit system will help alleviate the financial strain on residents, encouraging timely compliance and participation in this critical initiative.

HSAC urges the committee to support SB 472. Through continued collaboration and dialogue with the counties, we are confident that we can develop a program that effectively addresses this pressing environmental and public health issue.

HSAC respectfully requests your favorable consideration of this bill. Thank you for the opportunity to submit testimony, and we are available to answer any questions you may have.

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualii, Vice Chair
Addison Bulosan
Bernard P. Carvalho, Jr.
Felicia Cowden
Fern Holland
Arryl Kaneshiro



OFFICE OF THE COUNTY CLERK

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

January 28, 2025

**TESTIMONY OF ADDISON BULOSAN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 472, RELATING TO CESSPOOLS
Senate Committee on Health and Human Services
Senate Committee on Agriculture and Environment
Friday, January 31, 2025
1:00 p.m.
Conference Room 225
Via Videoconference**

Dear Chair San Buenaventura, Chair Gabbard, and Members of the Committees:

Thank you for this opportunity to provide testimony in SUPPORT of SB 472, Relating to Cesspools. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

I wholeheartedly support the intent of SB 472, which would greatly affect the Kaua'i community.

Thank you again for this opportunity to provide testimony in support of SB 472. 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:dmc

January 31, 2025

The Honorable Joy A. San Buenaventura, Chair

Senate Committee on Health and Human Services

The Honorable Mike Gabbard, Chair

Senate Committee on Agriculture and Environment
State Capitol, Conference Room 225 & Videoconference

RE: Senate Bill 472, Relating to Cesspools

HEARING: Friday, January 31, 2025, at 1:00 p.m.

Aloha Chair San Buenaventura, Chair Gabbard, and Members of the Joint Committees:

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 10,000 members. HAR provides **comments** on Senate Bill 472, which accelerates the dates for the required upgrades, conversions, or connections of priority level 1 and priority level 2 cesspools to 2035 and 2040, respectively. Appropriates funds to implement the cesspool compliance pilot grant program. Re-establishes a cesspool upgrade, conversion, or connection tax credit.

Hawai'i REALTORS® supports the goal of protecting our drinking water, streams, ground water, and ocean resources. We recognize that cesspool conversion is important to preserve our environment. According to the Cesspool Working Group Final Report¹, there are 13,821 cesspools categorized as Priority Level 1 and 12,367 cesspools categorized as Priority Level 2. To convert Priority Level 1 and 2 cesspools by 2045, **2,206 cesspools would need to be converted per year** (see table below.) Additionally, to convert the remaining Priority Level 2 cesspools would be an additional 824 conversions per year over the subsequent 5 years. This is not including the 55,237 Priority Level 3 cesspools that will still need to be converted by 2050, if we wait to convert Priority Level 3 cesspools until after 2040, there will be 10 years left to convert them all which averages to 5,523 conversions a year.

Year:	Priority Level 1	Priority Level 2	Convert Per Year
2026	1,382	824	2,206
2027	1,382	824	2,206
2028	1,382	824	2,206
2029	1,382	824	2,206
2030	1,382	824	2,206

¹ 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>

2031	1,382	824	2,206
2032	1,382	824	2,206
2033	1,382	824	2,206
2034	1,382	824	2,206
2035	1,382	824	2,206
2036		824	824
2037		824	824
2038		824	824
2039		824	824
2040		824	824

While it may vary greatly depending on existing infrastructure and property location, it can take 8 to 9 months or longer for a homeowner to convert their cesspool to a Department of Health ("DOH") approved wastewater system. Steps include but are not limited to, architects drawing up site plans, civil engineers drawing up and submitting the proposed system, obtaining DOH preliminary approval, engaging a contractor, obtaining a review and approval from the State Historic Preservation Division (SHPD), obtaining permits, construction, and engineers getting final approval from DOH. As such, it is crucial that we properly plan and find ways to assist communities and homeowners as **resources and manpower are limited, especially on the neighbor islands and in rural areas.**

Moreover, moving up the mandate does not solve the financial dilemma for homeowners. 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.

As such, the focus should be on efforts to aid communities and homeowners with cesspool conversion, which includes financial assistance in addition to wastewater infrastructure planning and development. We believe the income tax credit and cesspool compliance pilot grant project can help homeowners who may be financially burdened to convert their cesspools to a DOH wastewater system or connect to a sewerage system.

Thank you for your consideration of our comments. Mahalo for the opportunity to testify.

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>

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX; Tax Credit for Upgrade, Conversion, or Connection of Cesspools

BILL NUMBER: HB 376, SB 472

INTRODUCED BY: HB by NAKAMURA by request, SB by KOUCHI by request (Hawaii Association of Counties Package)

EXECUTIVE SUMMARY: Accelerates the dates for the required upgrades, conversions, or connections of priority level 1 and priority level 2 cesspools to 2035 and 2040, respectively. Appropriates funds to implement the cesspool compliance pilot grant program. Re-establishes a cesspool upgrade, conversion, or connection tax credit.

SYNOPSIS: As it relates to taxation, part IV of the bill adds a new section to chapter 235, HRS, allowing a nonrefundable income tax credit for a cesspool upgrade, conversion, or connection equal to 100% of qualified expenses of the taxpayer. The maximum credit is \$10,000 and a maximum of one cesspool upgrade, conversion, or connection income tax credit per qualified cesspool.

Qualified expenses are defined as costs that are necessary and directly incurred for upgrading or converting a qualified cesspool to a director of health-approved wastewater system, or connecting a qualified cesspool to a sewerage system, and that are certified as such by the department of health.

The Department of Health (department) is tasked with the responsibility of certifying claims for the credit. The department shall discontinue certifying credits if, in any year, the annual amount reaches \$_____ in the aggregate. Taxpayers whose credit claims are disallowed because of the cap may claim the credit in the following year.

The Director of Taxation shall prepare forms and adopt necessary rules.

If the tax credit exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to do so waives the right to the credit.

Definitions for cesspool, qualified cesspool, qualified expenses, residential large capacity cesspool, sewerage system, and wastewater are provided.

Amends section 23-92 HRS and makes conforming amendment to section 23-95, HRS, which mandates periodic review of credits by the State Auditor.

EFFECTIVE DATE: Upon approval, Section 4 shall take effect July 1, 2025, and Part IV shall apply to taxable years beginning after December 31, 2024.

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 nonrefundable 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 there isn't enough money for social service programs, funding is needed for wildfire relief, 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.

As drafted, the income tax credit is "available only for the taxable year in which the taxpayer's qualified expenses are certified by the department of health." Though unusual in that most credits based on expenses need to be claimed in the return for the taxable year in which the expenses are incurred, this approach makes sense and does solve the problem of what to do about expenses straddling taxable years.

Finally, section 7 of the bill, relating to the periodic review of credits and incentives that the statute auditor is required to conduct periodically, removes section 235-110.94 (credit for organically produced agricultural products) from the list. This amendment, if intended, does not appear to be germane to the bill title ("Relating to Cesspools") and probably should be deleted.

Digested: 1/28/2025



To: The Honorable Representative Mike Gabbard, Chair the Honorable Herbert M. “Tim” Richards, III, Vice Chair, and Members of the Committee on Agriculture and Environmental Protection.

From: Hawai'i Reef and Ocean Coalition (by Ted Bohlen)

Re: Hearing **SB472 RELATING TO CESSPOOLS**

Hearing: Friday January 31, 2025, 1:00 p.m. Rm. 224

Aloha Chair Gabbard, Vice Chair Richards, and Agriculture and Environment Committee Members:

The Hawai'i Reef and Ocean Coalition (HIROC) is a group of scientists, educators, filmmakers and environmental advocates who have been working since 2017 to protect Hawaii's coral reefs and ocean.

The Hawai'i Reef and Ocean Coalition STRONGLY SUPPORTS SB472!

Pollution from cesspools is harming the health of Hawaii's people and quality of Hawaii's waters. Hawaii has more than eighty thousand cesspools that discharge about fifty million gallons of wastewater into the State's groundwater every day. Cesspools are antiquated, substandard systems that damage public health, pollute drinking water, and lower water quality in streams, ground waters, nearshore marine areas, and the ocean. Cesspool pollution also harms public recreation and the precious coral reefs on which Hawaii's economy, shoreline, fisheries, and native species depend.

Hawai'i law requires that all cesspools not exempt need to be connected or upgraded by 2050 (Act 125, 2017). Hawai'i needs to get started on upgrading cesspools in order to eliminate all cesspools by 2050. This bill would accelerate the dates for upgrading some of the cesspools, those in areas designated as Priority 1 and 2, from 2050 in the current law to 2035 and 2040. Priority 1 and 2 cesspools, the ones that pose the most serious threats to public health, drinking water supplies, coral reefs and water quality in nearshore areas, were determined through the UH 2022 Hawai'i cesspool hazard assessment and prioritization tool. The tool was developed for the Cesspool Conversion Working Group (CCWG), which was created by Act 132 of 2018. The CCWG, on which I served for its entire four years, included a broad coalition of stakeholders, including Legislators and representatives from EPA, DOH, all counties, UH, realtors, bankers, and advocacy groups. The CCWG considered new scientific and policy data, studies by wastewater experts, activities in other jurisdictions, owners' ability to pay, and financing mechanisms.

Accelerating the upgrade requirements was the leading recommendation of the CCWG in its Final Report to the Legislature in December 2022, to 2030 for Priority 1 and 2035 for Priority 2. **Acceleration of upgrade requirements is necessary, not only to reduce pollution to protect the public health and help save corals, but also to meet the 2050 legal mandate.** Currently, only a few hundred cesspools are being upgraded each year, versus over 3,000 per year that need to be upgraded on average to complete the 83,000 upgrades by 2050.

Priority 1 (13,821) and 2 (12,367) cesspools together constitute about 30% of the over 80,000 total in Hawai'i.

This bill provides an extra five years more than the CCWG recommended to upgrade Priority 1 cesspools (by 2035) and Priority 2 (by 2040).

Upgrades of Priority 3 cesspools (about 70% of the total) would not be accelerated and would remain at 2050. The bill authorizes the DOH to exempt cesspools that show a legitimate reason they cannot upgrade and to pass rules to grant extensions based on an inability to pay.

The bill also contains an appropriation for the Department of Health to implement the cesspool compliance grant program. It also re-establishes a cesspool upgrade, conversion or connection tax credit.

Upgrading Priority 1 cesspools by 2035 and Priority 2 cesspools by 2040 is a reasonable and necessary start on solving Hawaii's cesspool pollution problem. Please pass this bill!

Mahalo!

Hawai'i Reef and Ocean Coalition (by Ted Bohlen)



Jan., 30, 2025

In Support of **SB472 Relating to Cesspols**
Sen. Comm.'s on Health & Human Serv. (HHS) & Agricult. & Environment (AEN)
Hearing on Fri., Jan. 31, 2025, 1:00pm, CR225

Aloha, Chairs Buenaventura & Gabbard, Vice-Chairs Aquino & Richards, and Committee Members:

On behalf of the non-profit WAI: Wastewater Alternatives & Innovations, I am writing in **support of SB472**. This bill would accelerate the dates for cesspool upgrades, conversions or connections to sewer in Priority 1 & 2 Areas to 2035 and 2040, respectively, to help the state meet its legal mandate to convert all cesspools by 2050 (Act 153). These earlier deadlines would only affect homeowners in Priority Areas where untreated sewage from cesspools is a risk to public health, drinking water sources, sensitive water bodies and the near-shore environment. The bill would also provide needed positions at DOH to work on permitting, funding and expediting the process of helping homeowners with cesspool conversions.

Under Act 125, all cesspools need to be converted by 2050, and the price of conversion is only getting more expensive with time. Unless the state sets earlier deadlines to upgrade cesspools, it's highly unlikely they will be able to meet their own mandate under Act 153. This will create serious bottlenecks as we approach the deadline, and there will not be enough engineers, contractors and equipment providers to do the work and prices will only get higher.

Hawaii has more than 83,000 cesspools across the state, discharging 52 million gallons of raw sewage each day into Hawaii's waters. Along with threats to public health and drinking water resources, new research shows that 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. Many places like Puako in Hawaii County and Ma'alaea in Maui have lost most of their coral reefs. Degraded reefs are not only bad for the environment, but they are bad for tourism, the economy and the protection of the Islands from storms, floods, hurricanes and tsunamis.

WAI is an environmental non-profit dedicated to protecting our water resources by reducing sewage pollution from cesspools. We support more innovative, affordable, and eco-friendly solutions to wastewater management. Better sanitation systems protect public health and valuable natural resources like groundwater, streams, coral reefs and coastal areas.

Hawaii is struggling with serious sewage pollution, and the state has a mandate to make sure all cesspools are converted in the next two decades. This bill was one of the highest priorities of the Cesspool Conversion Working Group, and earlier deadlines and more staffing at DOH are the only ways to 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

LATE

SB-472

Submitted on: 1/30/2025 3:34:33 PM

Testimony for HHS on 1/31/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sina Pruder	Individual	Comments	Written Testimony Only

Comments:

I generally support the accelerating the dates for required upgrades, conversions, or connections, however, additional funding resources need to be made available to property owners in these Priority levels 1 and 2 areas. If additional funding is not provided, it is highly likely that many owners will be in non-compliance if this bill becomes law.

I do not believe that the Department of Health (DOH) has the manpower and resources to implement both income tax and grant programs. Based on my understanding, the income tax program was not successful and was underutilized between 2016 to 2020. I believe the compliance grant pilot program was more successful. Recommend removing language for the income tax program. In addition, it is highly likely that DOH will need resources to implement a grant program.

LATE

**SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES & SENATE
COMMITTEE ON AGRICULTURE AND ENVIRONMENT**
Friday, January 31, 2025 | 1:00 PM | Conference Room 225

RE: SB472 – Relating to Cesspools

**Dear Chair San Buenaventura, Chair Gabbard, Vice Chair Aquino, Vice Chair
Richards, and Members of the Committees,**

My name is **Mark Baldonado**, and I am a **resident of Kealia and a homeowner with a
Priority Level 2 cesspool in Kaua'i County** and a constituent of **House District 15
and Senate District 8**. I strongly **support SB472** but urge the committee to **revise the
bill's funding mechanism** to ensure cesspool conversion is affordable for Kaua'i
homeowners.

The **\$10,000 tax credit in SB472 is not enough**, as the **average cesspool
conversion cost on Kaua'i is \$23,000**, with some cases exceeding **\$60,000**.
According to the **Cesspool Conversion Finance Research Summary Report (2021)**,
there are **12,085 cesspools in Kaua'i County**, and approximately **54% of all
households rely on cesspools**. The report further states:

- **95% of Kaua'i homeowners would face affordability challenges converting
their cesspools without financial assistance.**
- **The Priority 2 area in Kapa'a/Wailua has median household incomes
between \$40,000 to \$100,000, below the affordability threshold.**
- **Even with a \$10,000 tax credit, 82% of homeowners would still struggle to
afford conversion.**

The **Cesspool Conversion Finance Research Summary Report (2021)** also
highlights the **failure of Hawai'i's previous tax credit program (Act 120, 2015-2020)**,
noting that **only 47 applications were filed statewide** because homeowners **could
not afford to pay upfront and wait for a tax refund**.

A More Effective Funding Model

Other states, including **New York, Maryland, and Rhode Island**, have successfully
implemented **rebates, grants, and low-interest loans** instead of tax credits to make
cesspool conversion more affordable. **Hawai'i should follow this proven approach** by
implementing a **tiered rebate system based on income**:

Household Income Bracket	Proposed Rebate Amount	Estimated Homeowner Contribution (Avg. \$23,000 Cost)
Less than \$75,000	\$22,000	~\$1,000
\$75,000 - \$100,000	\$18,000	~\$5,000
\$100,000 - \$126,000	\$15,000	~\$8,000
Above \$126,000	\$10,000 (unchanged)	~\$13,000+

Additionally, I urge the committee to:

- ✓ **Establish a state-backed low-interest loan program with affordable 10-15 year repayment terms.**
- ✓ **Expand funding for cesspool grants to meet demand, as the Cesspool Compliance Pilot Grant Program has already exceeded available funding.**

Conclusion

A **tax credit does not provide immediate financial relief**—homeowners must pay first and wait for reimbursement, which many **cannot afford**. A **rebate program provides direct relief upfront**, making conversion feasible for more Kaua'i residents.

I strongly urge the committee to **revise SB472's funding mechanism** so Kaua'i homeowners can afford cesspool conversion. **Other states have proven that rebates, grants, and loans are more effective than tax credits—Hawai'i should adopt this model** to ensure financial accessibility for all homeowners.

Mahalo for the opportunity to testify. I appreciate your time and consideration. Please feel free to contact me at frond.75.plaid@icloud.com



Sincerely,

Mark Baldonado | Constituent, House District 15, Senate District 8
PO Box 1414, Kapaa, HI 96746

SB-472

Submitted on: 1/28/2025 5:23:44 PM

Testimony for HHS on 1/31/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacqueline S. Ambrose	Individual	Support	Written Testimony Only

Comments:

YES to - Accelerates the dates for the required upgrades, conversions, or connections of priority level 1 and priority level 2 cesspools to 2035 and 2040, respectively. Appropriates funds to implement the cesspool compliance pilot grant program. Re-establishes a cesspool upgrade, conversion, or connection tax credit.

SB-472

Submitted on: 1/28/2025 7:46:33 PM

Testimony for HHS on 1/31/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kevin Faccenda	Individual	Support	Written Testimony Only

Comments:

I support this measure as the pollution emitted from cesspools is a known and serious harm to our islands. Any measure which accelerates the rate at which these are decommissioned would be a great investment into the environment.

Thank you,

Kevin Faccenda,

Honolulu