

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, February 16, 2022
Time: 2:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1805, H.D. 1, Relating to Cesspools

The Department of Taxation (Department) appreciates the intent of H.B. 1805, H.D. 1, and offers the following comments for the committee's consideration.

H.B. 1805, H.D. 1, creates a new refundable tax credit for qualified expenses incurred through cesspool upgrade, connection, or conversion. One tax credit may be issued per cesspool, with expenses upon which the credit is computed determined at the entity level, and distribution and share of credit determined by rule. The credit amount is equal to the taxpayer's qualified expenses, defined as costs that are "necessary and directly incurred by the taxpayer for upgrading or converting a cesspool to a department-approved wastewater system or connecting a cesspool to a sewerage system, and that are certified as such by the appropriate government agency." The credit is capped at either \$15,000 per residential dwelling connected, \$10,000 per residential dwelling connected, \$7,500 per residential dwelling connected, or \$0 per residential dwelling connected, depending on where a taxpayer falls in four unspecified tiers of federal adjusted gross income. There is also an unspecified aggregate cap amount for all taxpayers in any taxable year. The Department of Health is required to record all qualified expenses certified by an appropriate government agency for the taxable year, and to certify to each taxpayer the amount that they may claim. The measure has a defective effective date of July 2, 2100, with the new credit applying to taxable years beginning after December 31, 2022, and repealing on December 31, 2035.

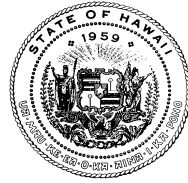
The Department notes that the Committee on Energy & Environmental Protection amended the previous version of this measure to incorporate the Department's suggested use of federal adjusted gross income as the determinant of tax credit eligibility and amount, and to clarify that the Director of the Department of Health and *not* the Department of Taxation will be responsible for approving potential wastewater systems within the definition of "qualified expenses." The Department appreciates these changes and requests that they remain intact.

The Department defers to the Department of Health on its ability to certify this credit and administer its aggregate cap, but respectfully requests that this certification provision be maintained. The Department lacks the subject-matter expertise to properly administer this credit without third-party certification.

Additionally, the Department also notes that the proposed credit is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Finally, the Department notes that Section 7's language repealing the entirety of section 2 on December 31, 2035, may leave some taxpayers in a position where they incurred qualified expenses during the 2035 tax year but could never claim the credit because the Department of Health's certification authority was repealed. If the Committee wishes to insert a functional effective date and advance this measure, the Department respectfully requests that Section 2 be made applicable to taxable years beginning after December 31, 2022, and cease applicability for taxable years beginning after December 31, 2035, rather than repealing in its entirety. This will provide certainty for taxpayers and administrators while also preventing the language in Section 7 from conflicting with the language in Section 2, subsection (i).

Thank you for the opportunity to provide comments.



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

**Testimony in SUPPORT of HB1805 HD1
RELATING TO CESSPOOLS**

REPRESENTATIVE AARON LING JOHANSON, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Hearing Date: 2/16/2022 Room Number: 329

1 **Fiscal Implications:** The Department of Health (Department) would need at least four (4)
2 full-time equivalent positions to implement the income tax and mandatory cesspool upgrade
3 programs that are being proposed by this bill. This measure may also impact the priorities
4 identified in the Governor's Executive Budget Request for the Department's appropriations and
5 personnel priorities.

6 **Department Testimony:** The Department supports this measure as long as it does not impact
7 the priorities requested in the Executive Budget. Cesspools are a major source of pollution to
8 Hawaii's waters. There are approximately 88,000 cesspools in the State, discharging millions of
9 gallons of untreated sewage into the groundwater every day. The sewage polluted groundwater
10 flows into drinking water sources, streams and the ocean, harming public health and the
11 environment, including beaches and coral reefs. Ninety-five percent of all drinking water in
12 Hawaii comes from groundwater sources. Cesspools should be phased out to eliminate threats to
13 drinking water and recreational waters. The Department supports this measure as it would help
14 to facilitate the phasing out of cesspool by requiring upgrades to cesspools at the time of sale and
15 would establish a tax credit program for the upgrades.

16 **Offered Amendments:** None.

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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1805, H.D. 1

February 16, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO CESSPOOLS

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

House Bill No. 1805, H.D. 1, adds a new section to Chapter 342D, HRS, to require any cesspool on real property that is sold or whose ownership is transferred on or before January 1, 2024, to be upgraded or converted to an approved wastewater system or connected to a sewage system; adds a new section to Chapter 235, HRS, to establish a tax credit up to \$15,000 for taxpayers who make a cesspool upgrade, conversion, or sewage connection; and appropriates an unspecified amount of general funds in FY 23 to the Department of Health for 4.00 full-time equivalent positions in the Wastewater Branch to assist with monitoring and enforcing the cesspool upgrades, conversions, and connections.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the

fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

B&F further notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

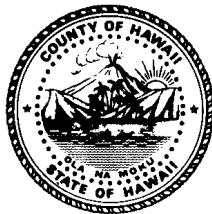
Further, the federal ARP Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

REBECCA VILLEGAS
Council Member
District 7, Central Kona



PHONE: (808) 323-4267
FAX: (808) 323-4786
EMAIL: Rebecca.villegas@hawaiicounty.gov

HAWAI'I COUNTY COUNCIL

West Hawai'i Civic Center, Bldg. A
74-5044 Ane Keohokalole Hwy. Kailua-Kona, Hawai'i 96740

February 15, 2022

TESTIMONY OF REBECCA VILLEGAS
COUNCIL MEMBER, HAWAI'I COUNTY COUNCIL
ON HB1805 HD1, RELATING TO CESSPOOLS
Committee on Commerce and Consumer Protection
Wednesday, February 16, 2022 at 2:00pm

Aloha Chair Ling Johanson, and Members of the Committee:

My testimony is submitted in my individual capacity as a member of the County Council and Chair of the Hawai'i County Council Climate Resilience and Natural Resource Management Committee.

I strongly support HB1805 HD1. Public health and the quality of drinking water, streams, ground waters, marine areas, and the ocean is being harmed by water pollution of cesspools. The purpose of this Act is to reduce the number of cesspools in Hawai'i, protect home buyers, and offer an income tax credit to help low- and middle-income residents to offset the cost of conversion.

There are approximately 43,000 cesspools that are categorized at level 1, 2, or 3. The requirement to upgrade or convert a cesspool imposes a financial burden to low- and moderate-income families. Creating a tax credit based on the qualified expense of the taxpayer provides a more equitable way for the State to assist these specific families, and it's a step in the right direction to the State's goal to convert all cesspools by 2050. Without this temporary income tax credit many families will not be able to afford to convert their systems or it will cause drastic financial harm to them. By assisting with expenses related to the costs of cesspool conversion we will be able to protect our environment and provide further protection to public health. This Act will also open up some essential financing options for the cost of the conversion.

For the reasons stated above I urge the Committee on Commerce and Consumer Protection to support this measure as well. Should you have any questions, please feel free to contact me at (808) 323-4267.

Mahalo for your consideration.

A handwritten signature in black ink, appearing to read "Rebecca Villegas".

Rebecca Villegas
Council Member, Hawai'i County Council

February 16, 2022

The Honorable Aaron Ling Johanson, Chair

House Committee on Consumer Protection and Commerce
Via Videoconference

RE: H.B. 1805, HD1, Relating to Cesspools

HEARING: Wednesday, February 16, 2022, at 2:00 p.m.

Aloha Chair Johanson, Vice Chair Kitagawa, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 10,800 members. HAR **strongly opposes** House Bill 1805, HD1, which establishes a temporary income tax credit until 12/31/2035 for costs of cesspool upgrade, conversion, or connection. Requires the upgrade, conversion, or connection of cesspools upon sale of real property or within 12 months of the date of sale recordation, with certain exemptions. Appropriates funds for additional positions to monitor and enforce cesspool upgrades, conversions, and connections. Effective 7/1/2100.

Act 132, Session Laws of Hawai'i 2018, created a Cesspool Conversion Working group comprised of various government and industry partners, including Hawai'i REALTORS®. The work of the Working Group is not finalized and as such HAR believes that this measure is premature until a comprehensive plan is finalized.

Mahalo for the opportunity to testify.



Feb. 15, 2022

In Support of **HB1805 HD1** Relating to Cesspools
House Committee on Consumer Protection and Commerce (CPC)
Hearing on Feb. 16, 2:00pm

Aloha, Chair Johanson, Vice-Chair Kitigawa and Members of the Committee:

On behalf of the non-profit WAI: Wastewater Alternatives & Innovations, I am writing in **strong support of HB1805 HD1**. This bill would reduce polluted runoff from cesspools by requiring their conversion upon point of sale (POS) of a property with exemptions, while also providing a tax credit to help homeowners cover the cost of converting their cesspools.

Hawaii has more than 88,000 cesspools across the state, discharging 53 million gallons of raw sewage each day into Hawaii's waters. That's similar to a massive sewage spill every day! The Hawaii Dept. Of Health (DOH) and 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, I believe this bill is an important policy tool for the state to fulfill its mandate under Act 125 to convert all cesspools by 2050.

Hawaii is struggling to deal with this sewage pollution problem and meet the mandate to convert all cesspools in the next three decades. Most homeowners don't have enough money to convert their individual cesspools, but with this law, buyers and sellers can negotiate and/or share the cost during the point of sale. Otherwise, unimproved cesspools become a liability for all involved.

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.

We support the following amendments that were added in HD1: 1. Cesspools should be converted before Point of Sale of a property or *within twelve months of the date of sale recordation* (except for listed exemptions); 2. *Focus on cesspools that are within 500 feet of a shoreline, perennial stream, wetland, well or sensitive body of water*; 3. *Create an appropriation for four full-time equivalent positions at the Hawaii Department of Health to monitor and enforce the conversions for each county.*

Based on successful bills in other states like Massachusetts, New Jersey, New York and Rhode Island, this bill creates a practical and expedient way to convert cesspools during the point of sale or transfer of a property. It will also help the state and the DOH tackle the problems of cesspools. Mahalo for your leadership on this issue and support of this bill.

Aloha,

Stuart Coleman

Stuart H. Coleman, Executive Director



Feb. 15, 2022

In Support of **HB1805 HD1** Relating to Cesspools
House Committee on Consumer Protection and Commerce (CPC)
Hearing on Feb. 16, 2:00pm

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Aloha,

Stuart Coleman

Stuart H. Coleman, Executive Director

HB-1805-HD-1

Submitted on: 2/15/2022 12:03:31 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ted Bohlen	Hawai'i Reef and Ocean Coalition (HIROC)	Support	Yes

Comments:

To: The Honorable Aaron Ling Johanson, Chair, the Honorable Lisa Kitagawa, Vice Chair, and members of the House Consumer Protection and Commerce Committee

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

Re: **Hearing HB1805 HD1 RELATING TO CESSPOOLS.**

Wednesday February 16, 2022, 2:00 p.m., by videoconference

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the House Consumer Protection and Commerce Committee:

Position: **Hawai'i Reef and Ocean Coalition (HIROC) STRONGLY SUPPORTS HB1805 HD1!**

The HAWAI'I REEF AND OCEAN COALITION-HIROC- was formed in 2017 by coral reef scientists, educators, local Hawaii environmental organizations, elected officials, and others to address the crisis facing Hawaii's coral reefs and other marine life. Coral reefs are being severely harmed by multiple causes, including particularly by **nutrients from cesspools. HIROC STRONGLY SUPPORTS HB1805 HD1!**

There are 88,000 cesspools in Hawai'i that discharge 53 million gallons of raw sewage directly into the ground every day! Cesspools are antiquated, substandard infrastructure. The effluent from cesspools includes untreated human waste, bacteria, viruses, pharmaceuticals, cleaning products, nitrogen, phosphorus, and other contaminants. From there, these pollutants make their way into groundwater and flow into near-shore marine environments. In many coastal areas in Hawai'i, waste from cesspools can reach near-shore waters within a matter of minutes to just a few days. Though it sometimes takes longer, the waste does flow toward, and eventually degrade, surface waters. People in the water or on beaches may come into contact with this waste!

Hawaii's tourism, recreational lifestyle, and shorelines depend on healthy coral reefs and waters. Hawai'i receives over \$1 million per year in grants from the federal coastal zone program that is contingent on the State taking measures to address and minimize polluted runoff,

including runoff from on-site sewage facilities that include cesspools. **In order to preserve federal funding and our environment, replacing many coastal cesspools now should be a priority for Hawai'i.**

The bill proposes to reduce the polluted runoff created by cesspools by requiring their upgrade to a system approved by the Director of Health at a most affordable time--when the attached property is transferred or sold. The bill exempts property transfers within families, between joint tenants or tenants in common, or spouses dissolving marriages. The bill reasonably gives **additional time to comply**: a cesspool shall be renovated **within one year of sale recordation** by the current owner or buyer with written agreement to meet DOH's design and construction standards. The requirements shall apply to cesspools located on properties **within 1,000 feet** of a shoreline, perennial stream, wetland, drinking water well, or sensitive body of water.

The bill's requirements would **systematically reduce the number of cesspools in Hawai'i, protect homebuyers by ensuring that the wastewater management system on the property they are buying will not be illegal in 2050, and open up financing options** for the cost of the conversion. Massachusetts, New Jersey, New York, and Rhode Island are examples of states that have enacted point-of-sale cesspool conversion requirements.

Under Hawai'i law, cesspools must be upgraded by 2050. **This bill's requiring upgrade on transfer makes good sense financially as well as environmentally. Property buyers and sellers have capital at transfer that most do not have at other times. They can negotiate between them on who shall pay for upgrades as part of the transfer.**

This bill provides a gradual way for some cesspools to be upgraded without State funds, at a time of least hardship to property owners.

The cost of cesspool conversion can be a challenge for low- and middle-income residents. Offering a refundable income tax credit to offset the cost of cesspool conversion would help to mitigate the financial burden on these individuals. **The bill would help mitigate the burden of upgrading cesspools on lower and middle income taxpayers** by providing a **tax credit** until 2035, ratcheted by income, as an incentive for cesspool upgrade, conversion or sewer connection.

The bill would appropriate funds for four full-time equivalent positions for the Department of Health Wastewater Branch to assist with monitoring and enforcing cesspool upgrades, conversions, and connections.

Our precious coral reefs and oceans are being harmed by cesspool wastewater pollution now and need protection now! They can't wait until 2050 for cesspool upgrades to occur. In order to comply with the mandate by 2050, the State must begin to take action now! This bill begins to address our huge cesspool problem now in the most cost-effective manner.

Please pass this important bill!

Mahalo!

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

HB-1805-HD-1

Submitted on: 2/14/2022 10:52:02 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Andrea Nandoskar	Individual	Support	No

Comments:

Strongly support!

Mahalo for your consideration.

HB-1805-HD-1

Submitted on: 2/15/2022 9:40:24 AM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Douglas Perrine	Individual	Support	No

Comments:

I support HB1805. Hawaii needs to stop degrading its nearshore ocean waters with human waste, and this bill will make it easier for homeowners to upgrade to improved sewage handling, which will help promote human health and benefit our tourist economy.

HB-1805-HD-1

Submitted on: 2/15/2022 1:23:09 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Christina Comfort	Individual	Support	No

Comments:

I am writing in strong support of HB1805. There are over 88,000 cesspools in Hawaii, and these inadequate wastewater disposal systems threaten the health of Hawaii's coral reefs, streams, and citizens. Nutrients and other pollutants from cesspools can cause invasive algal overgrowth on coral reefs, coral disease, increase the nitrate levels in drinking water (potentially leading to cancer), and exposure to sewage pollution in the environment can cause gastrointestinal disease and skin/eye/ear infections.

With all cesspools required to be converted by 2050, it is important to establish mechanisms and financial incentives for conversion. This bill's requirement for an upgrade on transfer if homes are within 1000 ft of sensitive water bodies makes good sense financially as well as environmentally. Property buyers and sellers have capital at transfer that most do not have at other times. They can negotiate between them on who shall pay for inspections (and upgrades where one is needed) as part of the transfer. This bill provides a gradual way for some cesspools to be upgraded without State funds, at a time of least hardship to property owners.

Cesspool transfer at point of sale for homes near sensitive waters is a great starting point to make progress on the >88,000 conversions that must happen, and it will also have an important ecological impact since many homes with direct impacts to waterways will have to convert sooner. This method has worked well in many states, including Rhode Island, Delaware, and others.

Please pass this bill to protect our precious coral reefs and oceans from the harms of wastewater pollution in this most cost-effective manner!

Mahalo!

Christina Comfort

Oceanographer, UH Manoa

Resident, Pupukeya, Hawaii



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

LATE

Testimony Presented Before the
House Committee on Consumer Protection & Commerce
Wednesday, February 16, 2022 at 2:00 p.m.

By

Darren T. Lerner, PhD
Director, Sea Grant College Program,
School of Ocean and Earth Science and Technology

And

Michael Bruno, PhD
Provost
University of Hawai'i at Mānoa

HB 1805 HD1 – RELATING TO CESSPOOLS

Chair Johanson, Vice Chair Kitagawa, and members of the committee:

The University of Hawai'i Sea Grant College Program (Hawai'i Sea Grant) supports HB 1805 HD1. This legislation would help to eliminate the pollution that cesspools contribute to our environment by requiring the conversion of cesspools upon the sale of a property and establishing a tax credit for the costs of cesspool conversion until 2035. This bill also appropriates support for new positions at the Hawai'i Department of Health (DOH) to oversee cesspool conversions.

This bill would enhance the state's capacity to fulfill its mandate under Act 125, which requires the conversion of all cesspools by 2050. With more than 88,000 cesspools across the state discharging 53 million gallons of raw sewage each day into Hawai'i's waters, both human and environmental health cannot afford to wait for cesspool conversions to occur at the latter end of this timeframe.

Hawai'i Sea Grant supports the amendments included in HD1 focusing on cesspools that are within 1000 feet of a shoreline, perennial stream, wetland, well or sensitive body of water as well as the appropriation of funds for four full-time equivalent (4.0 FTE) positions for the DOH Wastewater Branch to assist with monitoring and enforcing cesspool upgrades, conversions, and connections.

Hawai'i Sea Grant supports HB 1805 HD1 to facilitate the conversion of cesspools at the point-of-sale, establish financial relief during the conversion process through a tax credit, and create additional capacity within the DOH to guide the state's transition to more appropriate forms of waste management.

Thank you for the opportunity to testify on this measure.

February 16, 2022

The Honorable Aaron Ling Johanson, Chair
House Committee on Consumer Protection and Commerce
Via Videoconference

LATE

RE: H.B. 1805, HD1, Relating to Cesspools

HEARING: Wednesday, February 16, 2022, at 2:00 p.m.

Aloha Chair Johanson, Vice Chair Kitagawa, and Members of the Committee,

My name is Lance Owens, President of the West Hawai'i Association of REALTORS®, and we represent the largest association of REALTORS® here on the Big Island. WHAR opposes House Bill 1805, HD1. I also want to emphasize the Big Island, because I think we can all agree that this is mostly a Big Island problem, considering that 55,000 of the 80+ thousand cesspools are on our island.

My hope today is to introduce you to information that I believe you have not seen, nor heard of - before my testimony, I believe this because it is just now being prepared for the Cesspool Conversion Study Group (scheduled to release their findings later this year), so I hope to garner your full attention – thank you.

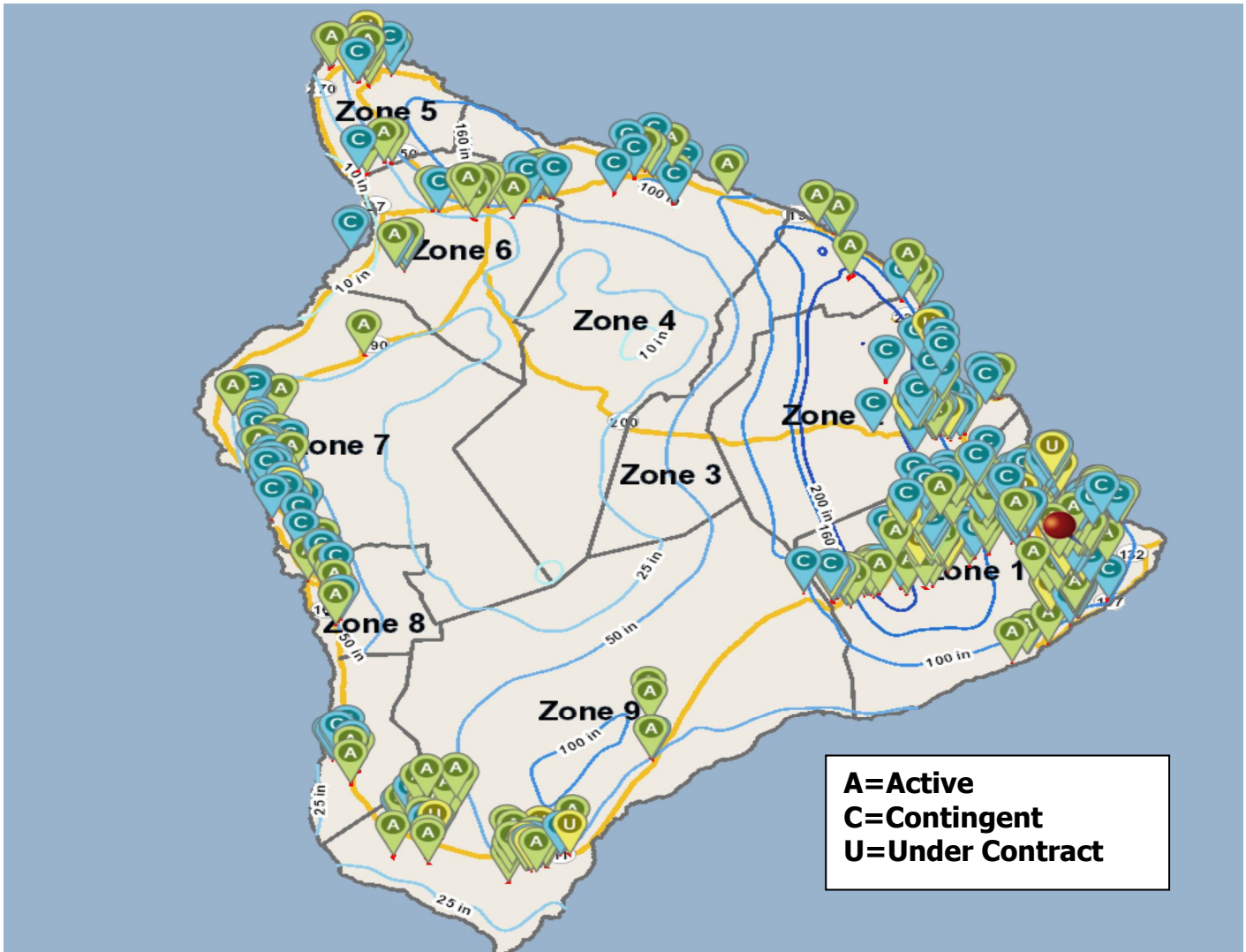
Using current market data, (a snapshot of Feb. 2022 should mirror Feb. 2024, or may exceed it due to the lack of current inventory.) I have been doing market reports for over a decade and feel confident the snapshot below is true and accurate.

1. There are currently 418 active homes for sale on the Big Island, of those, **284** are on cesspool and would have to be converted before they can be sold. Of the **284** that need converting - 145 of these homes are priced under \$500,000 (under the median home price.)
2. Additionally, there are currently 518 homes on the Big Island that are in Escrow (contingent.) **328** are on cesspool and would need to be converted to septic before they can legally close the sale.
3. That's a grand total of **936** homes that are actively in a real estate transaction. Of those **936, ... 612** would need to be converted.
4. Thus, It's fair to state that 2/3rd of all active real estate transactions on Hawai'i Island are in need of cesspool conversion.

Let me put a visual to that number – now this is only the **612** homes in need of conversion today, this does not include the other **54, 388** that will need to be converted.

This measure proposes that any property that is sold or whose ownership is transferred after January 1, 2024, shall be upgraded or converted to a Director-approved wastewater system or connected to a sewage system within 12 months of the date of sale recordation; provided that the requirements of this section shall apply to cesspools that are located on properties within one thousand feet of a shoreline, perennial stream, wetland, drinking water well, or sensitive body of water.

Based on that, the following is a visual of the data just for the month of February and near the ocean that would be affected by this proposed measure:



Using existing numbers for 2021 home sales, there were **3,205** home sales on the Big Island, of these - **1,956** are on Cesspool, add in the **610** from February, that's **2,566** in need of conversion in 1 year (**213 a month**, or **53 a week**.) This is why the amendment to the bill, giving the homeowner 12 months to complete the conversion is a bad idea. On the surface it seems like a great idea, in reality it hinders the homeowner by restricting loans and could lead to lending issues.

Sharing a real life situation in cesspool conversions, back in 2005 when subdivisions here in West Hawai'i were required to convert gang cesspools to septic or individual cesspool, **appraisers** "Flagged" homes with pending conversions, and banks would not loan until the conversion was completed. The reasons listed were:

1. Most homebuyers will not have \$20k to do the conversion, making it a risky loan; and
2. The possibility of fines and liens stacking up on the homes increases the chance of the buyer going into foreclosure.

In closing, I hope you see that HB1805 is premature, unplanned, and we need to let the **Cesspool Conversion Working group** complete their task and take to heart their recommendations to ensure no unintended consequences.

Thank you

LATE

HB-1805-HD-1

Submitted on: 2/16/2022 4:27:42 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Manuel Mejia	CORAL (Coral Reef Alliance)	Support	No

Comments:

Please support this critical bill to ensure clean waters for Hawaii's future. There are indeed many hurdles including financial ones and I applaud bold and creative solutions like this bill, which will go a long way towards enabling the cleaning up of our waters and will benefit both coral reef ecosystems and public health and overall well-being. Thank you for your leadership on this important ecological and public health matter.

LATE

HB-1805-HD-1

Submitted on: 2/15/2022 2:22:57 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Cara Oba	Individual	Support	No

Comments:

I just received a DOH wastewater discharge notification today regarding a leaking septic tank and avoiding the waters of Kaneohe Bay. We need to minimize water pollution events! Upgrading cesspools are a very important first step. Please encourage action in our community. I support incentives for upgrades.

LATE

HB-1805-HD-1

Submitted on: 2/15/2022 3:28:19 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kosta Stamoulis	Individual	Support	No

Comments:

I support this bill.

HB-1805-HD-1

Submitted on: 2/15/2022 4:00:46 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Gerard Silva	Individual	Oppose	No

Comments:

The sewer System that is in place NEEDS TO BE TERMINATED. Cess pools work just fine so long as you are not on the shore line. Every one knows this the County run plants are responsible for all the Ocean pollution not Cess pools witch are being targeted so the county can make more money with out rajust cost charges to the People. We are Tired of being Ripped of By the Government. End this or your Time will be over!!

HB-1805-HD-1

Submitted on: 2/15/2022 4:07:15 PM

Testimony for CPC on 2/16/2022 2:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Debra Merle	Individual	Comments	No

Comments:

I live Upcountry Maui (Makawao to be precise). We have no public sewer system Upcountry, only a private sewer system in Pukalani that services the homes around the golf course and in Kulamalu. I have read the HB No. 1805 re: cesspool conversions and tax credits and I have a question. **The bill does allude to "exceptions" and also to "cesspool upgrades" and I was wondering if someone could define what those "exceptions" and "upgrades" are?** There are a lot of homes on very small lots in Makawao and some areas of Haiku such as Rice Camp. I am wondering how these small properites will be able to accommodate septic systems because those require leach fields and I don't see how there is room for a leach field on a 5,000 to 6,000 sq. ft. lot. Thank you for your time. Debra Merle