

**HB 1140, HD1**

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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To: The Honorable Mike Gabbard, Chair  
and Members of the Senate Committee on Energy and Environment

Date: Tuesday, March 17, 2015  
Time: 2:45 P.M.  
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 1140, H.D. 1, Relating to Cesspools

The Department of Taxation (Department) appreciates the intent of H.B. 1140, H.D. 1 and provides the following comments for your consideration. The Department defers to the Department of Health on the merits of the measure.

H.B.1140, H.D. 1 provides a refundable temporary income tax credit to an individual or corporate taxpayer for the cost of converting a cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system. The credit amount is unspecified in the measure, and would apply to taxable years beginning after December 31, 2015, and would be repealed on December 31, 2020.

Because the Department has no expertise in cesspools, septic systems, or aerobic treatment unit systems, the Department requests that the taxpayers be required to obtain verification from the respective county agencies in charge of issuing permits for such installations, and that the credit be available only after such county agency has approved the installation as meeting the requirements for the credit, and only in such year in which such approval is obtained.

The Department notes that the credit is available only to individual and corporate taxpayers. Thus, partnerships, estates, and trusts would not be eligible for the credit. It is not clear to the Department whether this omission is intentional or inadvertent. If inadvertent, subsection (a) should be rewritten as follows:

(a) There shall be allowed to each taxpayer subject to the tax imposed under this chapter, a cesspool upgrade, conversion, or connection income tax credit which shall be deductible against the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in

which the credit is properly claimed.

In addition, a new subsection would need to be added to resolve the situations in which the taxpayer is a partnership, S corporation, estate, or trust:

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified costs incurred by the entity for the taxable year. The cost upon which the tax credit is calculated shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

Finally, the Department notes that this tax credit is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create the potential for wrongful claims and abuse.

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 HB 1140 H.D.1**  
**RELATING TO CESSPOOLS**

SENATOR MIKE GABBARD, CHAIR  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Hearing Date: March 17, 2015

Room Number: 225

1 **Fiscal Implications:** This measure may impact the priorities as set forth in the Governor's  
2 Executive Budget.

3 **Department Testimony:** The Department supports the intent of this bill of providing financial  
4 assistance to taxpayers who upgrade their existing cesspools. However, the measure must not  
5 adversely impact the priorities as set forth in the Governor's Executive Budget.

6 Eliminating cesspools is critical to protecting public health, the environment and the many  
7 aspects of the State's economy that depend on a pristine environment. As the bill notes,  
8 cesspools inject 55 million gallons per day of raw sewage into Hawaii's public drinking water  
9 sources and surface waters. This sewage contains disease-causing pathogens (viruses and  
10 bacteria), as well as nutrients, pharmaceuticals, and other pollutants that degrade water quality  
11 in recreational waters where thousands of people swim, and may contribute to degradation of  
12 precious coral reefs that protect our shorelines and are key to Hawaii's economy.

13 The cost of upgrading cesspools will be substantial, however. Many homeowners will need  
14 financial assistance to upgrade their cesspools. In order to limit the cost to the State, DOH  
15 recommends that cesspool upgrades be phased in, with priority targeting the approximately 6,860  
16 cesspools statewide that most affect waters—those in close proximity to public drinking water  
17 wells (about 2,552) and those within 200 feet of the shoreline, streams and wetlands (about  
18 4,308). To help those most in need, DOH recommends that the tax credits also be targeted

1 based on income qualification, and defers to the Department of Taxation on how that can best be  
2 achieved.

3 Thank you for the opportunity to testify.

4 **Offered Amendments:** SECTION 1, suggest priority for cesspools with 200 feet of waters  
5 because they present higher risk of harm to public health and the environment, and targeting tax  
6 credits based on income qualification. SECTION 2, add income qualification requirement.  
7 Change tax deduction to tax credit. Authorize the Director of Health to adopt rules as necessary  
8 to implement this section, including prioritizing the upgrades of cesspool locations with the  
9 highest risk of harm to public health and environment.

H.B. NO.

1140

TWENTY-EIGHTH LEGISLATURE, 2015 H.D. 1  
STATE OF HAWAII

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A BILL FOR AN ACT

RELATING TO CESSPOOLS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that the State's streams, groundwater, and ocean are being harmed by water pollution from nonpoint contamination sources that flow off from the land directly rather than through pipes or ditches. Cesspools constitute a nonpoint contamination source of grave concern. These substandard systems are essentially holes in the ground that discharge raw, untreated sewage. Groundwater, drinking water sources, streams, and the ocean are contaminated by cesspool pollution from systems that do not treat wastewater but merely dispose of it.

The legislature further finds that cesspools in Hawaii release approximately 55,000,000 gallons of untreated sewage into the ground each day. There are approximately 90,000 cesspools in the State, with nearly 50,000 located on Hawaii island, approximately 14,000 on Kauai, over 12,000 on Maui, over 11,000 on Oahu, and over 1,400 on Molokai. Reducing the number of cesspools in the State is a matter of great importance. Cesspools near public drinking water wells or within 200 feet of surface waters present higher risk of harm to public health and the environment than those farther from waters, and should be prioritized by the department of health for upgrade.

The purpose of this Act is to offer financial assistance to income qualifying owners of cesspools in areas of high public health and environmental priority who:

(1) Upgrade or convert a cesspool into a septic system or an aerobic treatment unit system; or

(2) Connect a cesspool to a sewer system,

by establishing a cesspool upgrade, conversion, or connection income tax credit.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

**"§235- Cesspool upgrade, conversion, or connection; income tax credit. (a)** There shall be allowed to each income qualifying individual and corporate taxpayer subject to the tax imposed under this chapter, a cesspool upgrade, conversion, or connection income tax credit that shall be applied against the Hawaii state individual or corporate net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The cesspool upgrade, conversion, or connection income tax credit shall be equal to the qualified expenses of the taxpayer up to \$5,000. There shall be allowed a maximum of one cesspool upgrade, conversion, or connection income tax credit per cesspool.

**(c) The director of health may adopt rules under chapter 91 as necessary to implement this section, including prioritizing for upgrades the cesspool locations with the highest risk of harm to public health and environment.**

(d) The director of taxation:

(1) Shall prepare forms that may be necessary to claim a tax ~~deduction~~ credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the ~~deduction~~ tax credit made under this section; and

(3) May adopt rules under chapter 91 as necessary to implement this section.

(e) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability shall be refunded to the taxpayer; provided that no refund on account of the tax credit allowed by this section shall be made for amounts less than \$1. 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 comply with this subsection shall constitute a waiver of the right to claim the credit.

(f) This section shall not apply to taxable years beginning after December 31, 2020.

(g) As used in this section:

"Aerobic treatment unit system" means an individual wastewater system that consists of an aerobic treatment unit tank, aeration device, piping, and a discharge method that is in accordance with rules adopted by the department of health relating to household aerobic units.

"Cesspool" means an individual wastewater system consisting of an excavation in the ground whose depth is greater than its widest surface dimension, which receives untreated wastewater, and retains or is designed to retain the organic matter and solids discharged into it, but permits the liquid to seep through its bottom or sides to gain access to the underground geographic formation.

"Qualified expenses" means costs that are necessary and directly incurred by the taxpayer for upgrading or converting a cesspool into a septic system or an aerobic treatment unit system, or connecting a cesspool to a sewer system.

"Septic system" means an individual wastewater system that typically consists of a septic tank, piping, and a drainage field where there is natural biological decontamination as wastewater discharged into the system is filtered through soil.

"Sewer system" means a system of piping, with appurtenances, for collecting and conveying wastewater from source to discharge following treatment.

"Wastewater" means any liquid waste, whether or not treated and whether animal, mineral, or vegetable, including agricultural, industrial, and thermal wastes."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval and shall apply to taxable years beginning after December 31, 2015; provided that this Act shall be repealed on December 31, 2020.

**Report Title:**

Income Tax Credit; Cesspool Upgrade, Conversion, or Connection

**Description:**

Provides a temporary income tax credit for the cost of upgrading or converting a cesspool to a septic system or an aerobic treatment unit system, or connecting to a sewer system.  
(HB1140 HD1)



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
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H.B. NO.

1140

TWENTY-EIGHTH LEGISLATURE, 2015 H.D. 1  
STATE OF HAWAII

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The legislature further finds that cesspools in Hawaii release approximately 55,000,000 gallons of untreated sewage into the ground each day. There are approximately 90,000 cesspools in the State, with nearly 50,000 located on Hawaii island, approximately 14,000 on Kauai, over 12,000 on Maui, over 11,000 on Oahu, and over 1,400 on Molokai. Reducing the number of cesspools in the State is a matter of great importance. Cesspools near public drinking water wells or within 200 feet of surface waters present higher risk of harm to public health and the environment than those farther from waters, and should be prioritized by the department of health for upgrade.

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(b) The cesspool upgrade, conversion, or connection income tax credit shall be equal to the qualified expenses of the taxpayer up to \$5,000. There shall be allowed a maximum of one cesspool upgrade, conversion, or connection income tax credit per cesspool.

**(c) The director of health may adopt rules under chapter 91 as necessary to implement this section, including prioritizing for upgrades the cesspool locations with the highest risk of harm to public health and environment.**

(d) The director of taxation:

(1) Shall prepare forms that may be necessary to claim a tax ~~deduction~~ credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the ~~deduction~~ tax credit made under this section; and

(3) May adopt rules under chapter 91 as necessary to implement this section.

(e) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability shall be refunded to the taxpayer; provided that no refund on account of the tax credit allowed by this section shall be made for amounts less than \$1. 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 comply with this subsection shall constitute a waiver of the right to claim the credit.

(f) This section shall not apply to taxable years beginning after December 31, 2020.

(g) As used in this section:

"Aerobic treatment unit system" means an individual wastewater system that consists of an aerobic treatment unit tank, aeration device, piping, and a discharge method that is in accordance with rules adopted by the department of health relating to household aerobic units.

"Cesspool" means an individual wastewater system consisting of an excavation in the ground whose depth is greater than its widest surface dimension, which receives untreated wastewater, and retains or is designed to retain the organic matter and solids discharged into it, but permits the liquid to seep through its bottom or sides to gain access to the underground geographic formation.

"Qualified expenses" means costs that are necessary and directly incurred by the taxpayer for upgrading or converting a cesspool into a septic system or an aerobic treatment unit system, or connecting a cesspool to a sewer system.

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(HB1140 HD1)

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax credit for cesspool conversion

BILL NUMBER: HB 1140, HD-1

INTRODUCED BY: House Committee on Energy and Environmental Protection

EXECUTIVE SUMMARY: This measure adds a tax credit for cesspool upgrade, conversion or connection. The proposed credit is simply a subsidy of the favored activity, with an unknown price tag, that needs to be paid for by the rest of us who are not so favored.

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a taxpayer to claim a cesspool upgrade, conversion or connection tax credit of \_\_\_% of the qualified expenses of a taxpayer or \$\_\_\_\_, whichever is less. There shall be a maximum of one tax credit per cesspool. Defines “qualified expenses” as costs necessary and directly incurred by the taxpayer for upgrading or converting a cesspool into a septic system or an aerobic treatment unit system, or connecting a cesspool to a sewer system. Defines “aerobic treatment system,” “cesspool,” “septic system,” “sewer system” and “wastewater” for purposes of the measure.

Tax credits in excess of a taxpayer’s tax liability shall be refunded to the taxpayer provided such amounts are in excess of \$1. Requires all claims, including amended claims, to 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 comply with the foregoing provision shall constitute a waiver of the right to claim the credit. Directs the director of taxation to prepare the necessary forms to claim a credit under this section.

This section shall not be applicable to tax years beginning after December 31, 2020. Repeals this act on December 31, 2020.

EFFECTIVE DATE: Tax years beginning after December 31, 2015

STAFF COMMENTS: This measure proposes a tax credit for conversion or hookup of a cesspool to a septic system or sewer system. While the measure allows taxpayers to claim the credit regardless of a taxpayer’s need for tax relief, the proposed credit is nothing more than a partial subsidy by the state to taxpayers for such conversion with absolutely no indication of the taxpayer’s need for that subsidy. This type of targeted tax incentive creates winners and losers, the winners being those in the favored industry who receive the incentives and the losers being the rest of us who have to pay for them.

When judging targeted tax incentives such as this one, we all should be mindful of these observations of the 2001-2003 Tax Review Commission: *“Targeted tax incentives are generally only demonstrably good for those relatively few taxpayers that qualify for the benefits, and may not be demonstrably good for anyone else. They are not supported by rules of sound tax policy. In the first instance, they decrease State revenue and add complexity to the tax system. They may also be unfair to other businesses. Almost all of the present incentives lack accountability, and therefore create something of a “black hole” in State fiscal responsibility. A targeted tax incentive does not appropriate hard earned and*

*increasingly scarce revenues. Rather, it creates a tax benefit of unknown proportions against future revenues, before the revenues are collected and subjected to the legislative appropriation process.”*

Appropriations to favored businesses, or subsidies, are rarely enacted. Every public appropriation is publicly scrutinized. A tax incentive is a potential “black hole,” because it is a future benefit of unknown proportions which is determined by the favored taxpayer’s interpretation of what the tax credit should be and is claimed on a tax return which is confidential.

Digested 2/25/15

Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 1140 HD1 Relating to Cesspools  
Senate Committee on Energy and Environment  
Tuesday, March 17, 2015, 2:45PM, Room 225

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*For more than 35 years, The Nature Conservancy of Hawai'i has been working closely with government agencies, local businesses, private landowners, non-profit partners, and interested communities across the state to preserve the lands and waters upon which all life in these islands depends. The Conservancy is a private non-profit conservation organization that has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i, and support 19 coastal communities seeking to co-manage marine resources in partnership with the State of Hawai'i.*

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The Nature Conservancy supports H.B. 1140 HD1 to provide a temporary income tax credit to incentivize cesspool replacement.

We also recognize that the much larger issue of wastewater impacts on coral reefs, near shore waters, and human health come from untreated sewage overflowing from overburdened wastewater treatment facilities and underground injection wells, especially on Maui and Hawai'i island. We urge the State and counties to consider a thorough review, repair, and retrofit of wastewater treatment facilities, especially if the State will be requiring more people to connect to those already overburdened facilities.

Scientists estimate that populations of many of Hawai'i's near shore reef fishes have declined by more than 75% over the past 100 years. Marine managers, community stewards, and scientists across the state are also cataloguing and working to address increased instances of coral disease, bleaching and reef smothering alien algae. Scientific analysis together with long-term community experience and observation suggest that a number of factors are contributing to and exacerbating these threats to Hawai'i's marine health, including over-harvesting of fishes, land-based sources of pollution, as well as higher temperatures and acidification due to human induced climate change. Degradation of Hawai'i's reefs and near shore environments is not only a detriment to our health and quality of life, but also a grave loss to Hawai'i's economy, safety, and to a cultural heritage that is unique in the world.

Effluent from cesspools – including untreated human waste, bacteria, viruses, pharmaceuticals, cleaning products, nitrogen, phosphorus, and other contaminants – is discharged directly into the ground. From there, these pollutants can make their way into groundwater systems and near shore marine environments. In coastal areas in Hawai'i with porous soils and substrates, studies have shown that waste from cesspools can reach near-shore waters within a matter of minutes to just a few days. Replacing these coastal cesspools should be a priority.

Caring for the health and future productivity of Hawai'i's fresh and marine waters requires a combination of strategies in an ahupua'a approach. Taking care of watershed forests, upgrading wastewater treatment systems, enhancing water re-use, preventing and controlling invasive species, encouraging responsible resource use, and retiring and replacing outdated infrastructure are all a part of the solution to the variety of threats we face. Prohibiting new cesspools and replacing old ones is one important component of this collective effort.

Thank you for the opportunity to comment.

BOARD OF TRUSTEES

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Dustin E. Sellers Dustin M. Shindo Nathan E. Smith Peter K. Tomozawa James Wei Eric K. Yeaman



March 16, 2015

Committee Chairs & Members of Energy and Environment (ENE)

**RE: Strong Support for HB 1141 – Relating to Eliminating Cesspools**

**Hearing on Tue., 3/17, State Capitol, Conf. Rm. 225, 2:45pm.**

Dear Chair Gabbard, Vice Chair Green, and Committee Members,

As the Hawaii Regional Manager of the Surfrider Foundation, I'm writing in strong support passage of HB 1140. With more than 5000 activists and members across the state, the Hawaii Chapters of The Surfrider Foundation strongly support efforts to provide temporary income tax credits for the conversion of cesspools to upgraded individual wastewater systems such as septic and sewer. The non-point source discharge from cesspools in Hawaii is a serious threat specifically to streams, groundwater and coastal waters, and this bill offers a sensible and overdue solution to help homeowners upgrade their systems.

With about 90,000 across the state, Hawaii has the highest number of cesspools in the country, and many of those near streams, groundwater systems and coastal areas pose a threat to water resources. **Hawaii is also the only state that still allows construction of new cesspools--Rhode Island was the last to ban them almost 50 years ago!** These substandard wastewater systems leach untreated human waste, harmful pathogens and nutrient loads into nearby waters. Cesspools are a leading source of water pollution, and their effluent can contaminate drinking water sources, streams and oceans with disease-causing pathogens, algae-causing nutrients and other harmful substances.

In monitoring the water quality of North Shore beaches on Kauai, the Chapter has seen improvement after the replacement of cesspools at Kauai County beach parks and along the Hanalei River. After the new system was installed, enterococcus counts at the beach at the Hanalei Pavilion and at the Hanalei River estuary decreased approximately 56% between 2004 and 2013. Where sewer connections are not available, septic systems are a step forward in protecting public health and the environment. We also support creating a special fund in the Department of Health for loans to low-income homeowners, and we ask them to prioritize banning cesspools within 200 feet of the shoreline or waterways because they are the most dangerous.

This bill is needed because cesspools pose public health and environmental problems, and income tax credits will help homeowners upgrade to septic systems. Individual homeowners, counties and the state need to work together to conform to federal EPA standards and take responsibility for the very negative impact cesspools have upon the environment, public health, tourism, and economic growth in Hawaii. Mahalo for your consideration and leadership in dealing with these water quality issues and please feel free to contact me if you have any questions or suggestions.

Sincerely,  
Stuart Coleman  
Stuart H. Coleman  
Hawaii Regional Manager



P.O. Box 253, Kunia, Hawai'i 96759  
Phone: (808) 848-2074; Fax: (808) 848-1921  
e-mail info@hfbf.org; www.hfbf.org

March 17, 2015

HEARING BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

TESTIMONY ON HB 1140 HD 1  
RELATING TO CESSPOOLS

Room 225  
2:45 PM

Aloha Chair Gabbard, Vice Chair Green, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

**The Hawaii Farm Bureau supports HB 1140, HD 1.** Our farmer and rancher members across the islands could benefit from this effort to mitigate the financial hardship that would be caused by any future mandatory cesspool conversions.

To protect the quality of Hawaii's near shore waters and drinking water supplies, HFB believes that cesspools which pose a risk to the ocean, surface, or ground water should be converted to septic systems, or where available, a connect to a county sewer treatment system. Because the cost to upgrade is substantial, reportedly approximately \$20,000 per cesspool, Hawaii may accomplish these conversions more quickly if owners have assistance through tax incentives.

Several months ago, the State Department of Health proposed an extremely broad brush regulation to mandate elimination of all cesspools statewide within 180 days of a sale of the subject property. Farmers, homeowners, and others were alarmed that they would be subject to exorbitant and unexpected costs associated with such a project.

HFB did not agree that every cesspool in the state, even those that pose very little or no risk to either groundwater or surface water quality, needs to be converted, nor do we believe that conversions should be mandatory in the rushed and arbitrary manner proposed by the Department. Additionally, we do not believe that the DOH proposed point of sale approach is appropriate, as it would require many cesspools that are not contributing to water quality degradation to be upgraded, while allowing cesspools that may be causing problems to continue to operate indefinitely, so long as the property is not sold.

The intent of HB 1140 HD 1 is to help Hawaii phase out of cesspools, following the lead of other states which have provisions for tax credits to fund cesspool conversion. **HFB recognizes the significant impact to the State's limited budget should this measure be passed and**

**implemented. We therefore respectfully offer a suggestion that would limit State funding, as follows:**

- (1) DOH prioritizes mandatory conversion only for high risk cesspools, and
- (2) Tax credits or other incentives be available only to those who convert these high risk cesspools.

Thank you for the opportunity to testify in support of this bill.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [ENETestimony](#)  
**Cc:** [rbergstrom@surfrider.org](mailto:rbergstrom@surfrider.org)  
**Subject:** Submitted testimony for HB1140 on Mar 17, 2015 14:45PM  
**Date:** Monday, March 16, 2015 10:09:04 PM

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**HB1140**

Submitted on: 3/16/2015

Testimony for ENE on Mar 17, 2015 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rafael Bergstrom	Surfrider Foundation Oahu Chapter	Support	Yes

Comments: The Surfrider Foundation Oahu Chapter strongly supports this bill as cesspools and their high risk contamination issues need to be phased out of our island waster systems. Cesspools dump untreated fecal waste into our water systems - potentially contaminating groundwater and the nearshore ocean waters. Protecting our near shore ecosystems and ocean resources is vital to our states livelihood and well-being. It is understandable that issues lie in the equity of banning cesspools and the high cost of sewage treatment replacement, but cost and money can no longer continue to trump our environmental limitations. Water quality in Hawaii, and Oahu in particular, is in an obvious state of decline. It is appropriate that the State take action to facilitate these changes by relieving some of the financial burden with tax credits. Thank you for your time and consideration!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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March 16, 2015

**The Honorable Mike Gabbard, Chair**

Senate Committee on Energy and Environment  
State Capitol, Room 225  
Honolulu, Hawaii 96813

**RE: H.B. 1140, H.D.1, Relating to Cesspools**

**HEARING: Tuesday, March 17, 2015, at 2:45 p.m.**

Aloha Chair Gabbard, Vice Chair Green and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports the intent** of H.B. 1140, H.D.1, which provides a temporary income tax credit for the cost of converting a cesspool to a septic system or an aerobic treatment unit system or connecting to a sewer system.

The Department of Health (DOH) has proposed changes to Hawai'i Administrative Rules, Chapter 11-62, relating to Wastewater Systems. Under the proposed rules, an estimated cesspool residential property count of 50,000 on Hawai'i, 14,000 on Kaua'i, 12,000 on Maui, 11,000 on Oahu, and 1,400 on Molokai would be affected. Additionally, the cost to convert each cesspool system could range from \$10,000, to \$30,000.

Under the proposed rules, it would create a point of sale mandate by requiring cesspool closure and conversion to either a septic system or public sewer system at the next conveyance or sale of a property. HAR expressed concerns that a property could take years, if ever, before it is sold or transferred, all while the cesspool could be one in a high risk area, as established by the 2014 Geology and Geophysics Report prepared for the DOH.

HAR believes that managing wastewater and its effects on Hawaii's water quality is important. However, it should be done in a rational and practical manner. This proposal is a good and practical approach towards incentivizing owners to voluntarily convert their cesspool systems. Furthermore, this will help homeowners with the large cost to convert a cesspool system.

Mahalo for the opportunity to testify.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [ENETestimony](#)  
**Cc:** [darakawa@lurf.org](mailto:darakawa@lurf.org)  
**Subject:** Submitted testimony for HB1140 on Mar 17, 2015 14:45PM  
**Date:** Saturday, March 14, 2015 1:43:12 PM

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**HB1140**

Submitted on: 3/14/2015

Testimony for ENE on Mar 17, 2015 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Z. Arakawa	Individual	Comments Only	No

Comments: The Land Use Research Foundation of Hawaii SUPPORTS the intent of HB 1140, HD1, RELATING TO CESSPOOLS, which provides "temporary" income tax credit for the cost of converting a cesspool to a septic system or an aerobic treatment unit system or connecting to a sewer system. However, LURF would respectfully recommend an AMENDMENT that the tax credit should be for TEN (10) YEARS (not temporary).

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March 16, 2015

TO: Honorable Mike Gabbard, Chair  
Senate Committee on Energy and Environment  
  
Honorable Jill N. Tokuda, Chair  
Senate Committee Ways and Means

FROM: Councilmember Gladys C. Baisa

A handwritten signature in cursive script that reads "Gladys C. Baisa".

SUBJECT: **HEARING ON MARCH 17, 2015, TESTIMONY IN SUPPORT OF HB 1140  
H.D. 1, RELATING TO CESSPOOLS**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to provide temporary income tax credit for the cost of upgrading or converting a cesspool to a septic tank system or and aerobic treatment unit system, or connecting to a sewer system.

I **support** this measure for the following reasons:

1. Our farmers, ranchers and owners of cesspools across the islands could benefit from this effort to mitigate the financial hardship that would be caused by any future mandatory cesspool conversions.
2. The intent of HB 1140 HD1 is to help Hawaii phase out of cesspools, following the lead of other states which have provisions for tax credits to fund cesspool conversion. I recognize the significant impact to the State's limited budget which could affect already underfunded current programs should this measure be passed and implemented.
3. Therefore I respectfully offer a suggestion that would limit State funding as follows;
  1. DOH prioritizes mandatory conversion only for high risk cesspools. And
  2. Tax credits or other incentives be available only to those who convert these high risk cesspools.

For the foregoing reasons, I **support** this measure.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
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**Cc:** [douglasperrine@yahoo.com](mailto:douglasperrine@yahoo.com)  
**Subject:** Submitted testimony for HB1140 on Mar 17, 2015 14:45PM  
**Date:** Sunday, March 15, 2015 10:47:53 AM

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**HB1140**

Submitted on: 3/15/2015

Testimony for ENE on Mar 17, 2015 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Douglas Perrine	Individual	Support	No

Comments: This bill will be beneficial to Hawaii's environment & economy, and the health of its citizens, and will be welcomed because it uses rewards, rather than punishments to accomplish its goal.

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**Subject:** Submitted testimony for HB1140 on Mar 17, 2015 14:45PM  
**Date:** Sunday, March 15, 2015 11:02:30 AM

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**HB1140**

Submitted on: 3/15/2015

Testimony for ENE on Mar 17, 2015 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jeff Stevens	Individual	Comments Only	No

Comments: Would this include the filthy cesspool that at the legislature that's supposed to represent the ocean? As a hint, how about using a little chlorine.

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