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# A BILL FOR AN ACT

RELATING TO CESSPOOL CONVERSIONS.

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

1 SECTION 1. The legislature finds that cesspools are a  
2 source of pollution that threatens the health of Hawaii's people  
3 and environment. In response to the State's cesspool pollution  
4 problem, legislation was enacted in 2017 that requires all  
5 cesspools not excluded by the director of health to be upgraded  
6 or converted to director of health-approved wastewater systems  
7 or connected to sewerage systems by January 1, 2050.

8 The legislature further finds that the large upfront costs  
9 of cesspool conversions prevent many cesspool owners from  
10 addressing systems that contribute to the daily release of  
11 untreated sewage. It is in the public interest to explore non-  
12 traditional financing mechanisms to accelerate cesspool  
13 conversions and provide Hawaii's homeowners with additional  
14 financing options, especially for those not able to qualify for  
15 bank and credit union financing at reasonable rates and terms.

16 The purpose of this Act is to:



- (1) Direct the Hawaii green infrastructure authority to establish a cesspool conversion financing program to provide low-interest loans for low- and moderate-income homeowners to upgrade or convert existing cesspools in all counties to director of health-approved wastewater systems or connect properties with existing cesspools to sewerage systems;
- (2) Allow the department of health, through a memorandum of agreement, to annually transfer funding available from the water pollution control revolving fund to capitalize the cesspool conversion financing program; and
- (3) Enable the counties to collaborate with the authority to implement the cesspool conversion financing program by including the principal and interest loan repayments for eligible borrowers on the water bill of each respective county and transmit the collections to the authority.

19 SECTION 2. Chapter 196, Hawaii Revised Statutes, is  
20 amended by adding a new section to part IV to be appropriately  
21 designated and to read as follows:



1        "\$196-        Cesspool conversion loan special fund; cesspool  
2        conversion financing program. (a) There is established in the  
3        state treasury the cesspool conversion loan special fund that  
4        shall be administered by the authority. Funds deposited into  
5        the cesspool conversion loan special fund shall include:  
6            (1) Moneys appropriated by the legislature;  
7            (2) Funds from federal, state, county, private, or other  
8            funding sources, including funds from the department  
9            of health under section 342D-83;  
10           (3) Moneys received as repayment of loans and interest  
11           payments; provided that the repayment of loans and  
12           interest payments under this paragraph shall not  
13           include repayment of loans and interest collected as a  
14           result of funds advanced from proceeds of the green  
15           energy market securitization bonds, clean energy and  
16           energy efficiency revolving loan fund, solar  
17           photovoltaic and energy storage loan program, or  
18           condominium loan program; and  
19           (4) Any fees collected by the authority under this  
20           section; provided that moneys collected as a result of  
21           the funds advanced from proceeds of the green energy



1 market securitization bonds, clean energy and energy  
2 efficiency revolving loan fund, solar photovoltaic and  
3 energy storage loan program, and condominium loan  
4 program shall be kept separate from fees collected as  
5 a result of funds advanced from proceeds of the  
6 cesspool conversion loan special fund.

7       (b) Moneys in the cesspool conversion loan special fund  
8       shall be used to administer the cesspool conversion financing  
9       program to provide low-interest loans or other authorized  
10      financial assistance to eligible low and moderate-income  
11      households to upgrade or convert existing cesspools in all  
12      counties to director of health-approved wastewater systems or  
13      connect properties with existing cesspools to sewerage systems  
14      on terms approved by the authority. Moneys from the fund may be  
15      used to cover administrative and legal costs of fund management  
16      and management associated with individual loans, which include  
17      personnel, services, technical assistance, data collection and  
18      reporting, materials, equipment, and travel for the purposes of  
19      this section.

20 (c) Funds appropriated or authorized from the cesspool  
21 conversion loan special fund shall be expended by the authority.



1     The authority may contract with other public or private entities  
2     for the provision of all or a portion of the services necessary  
3     for the administration and implementation of the cesspool  
4     conversion financing program. The authority may set fees or  
5     charges for fund management and technical site assistance  
6     provided under this section.

7           (d) All interest earned on the loans, deposits, or  
8     investments of the moneys in the fund shall become part of the  
9     cesspool conversion loan special fund.

10           (e) The authority may establish subaccounts within the  
11     cesspool conversion loan special fund as necessary.

12           (f) The authority may adopt rules pursuant to chapter 91  
13     or publish cesspool conversion financing program guidelines to  
14     carry out the purposes of this section."

15         SECTION 3. Section 196-64, Hawaii Revised Statutes, is  
16     amended to read as follows:

17           **"§196-64 Functions, powers, and duties of the authority.**

18           (a) In the performance of, and with respect to the functions,  
19     powers, and duties vested in the authority by this part, the  
20     authority, as directed by the director and in accordance with a  
21     green infrastructure loan program order or orders under section



1 269-171 or an annual plan submitted by the authority pursuant to  
2 this section, as approved by the commission for the green  
3 infrastructure loan program, may:

4 (1) Make loans and expend funds to finance the purchase or  
5 installation of green infrastructure equipment for  
6 clean energy technology, demand response technology,  
7 and energy use reduction and demand side management  
8 infrastructure, programs, and services;

9 (2) Hold and invest moneys in the green infrastructure  
10 special fund in investments as permitted by law and in  
11 accordance with approved investment guidelines  
12 established in one or more orders issued by the  
13 commission pursuant to section 269-171;

14 (3) Hire employees necessary to perform its duties,  
15 including an executive director. The executive  
16 director shall be appointed by the authority, and the  
17 employees' positions, including the executive  
18 director's position, shall be exempt from chapter 76;

19 (4) Enter into contracts for the service of consultants  
20 for rendering professional and technical assistance



1 and advice, and any other contracts that are necessary  
2 and proper for the implementation of the loan program;

3 (5) Enter into contracts for the administration of the  
4 loan program, without the necessity of complying with  
5 chapter 103D;

6 (6) Establish loan program guidelines to be approved in  
7 one or more orders issued by the commission pursuant  
8 to section 269-171 to carry out the purposes of this  
9 part;

10 (7) Be audited at least annually by a firm of independent  
11 certified public accountants selected by the  
12 authority, and provide the results of this audit to  
13 the department and the commission; and

14 (8) Perform all functions necessary to effectuate the  
15 purposes of this part.

16 (b) The authority shall submit to the commission an annual  
17 plan for the green infrastructure loan program for review and  
18 approval no later than ninety days prior to the start of each  
19 fiscal year. The annual plan submitted by the authority shall  
20 include the authority's projected operational budget for the  
21 succeeding fiscal year.



1 (c) In the performance of the functions, powers, and  
2 duties vested in the authority by this part, the authority shall  
3 administer the clean energy and energy efficiency revolving loan  
4 fund pursuant to section 196-65.5 and may:

5 (1) Make loans and expend funds to finance the purchase or  
6 installation of clean energy technology and services;

12 (3) Utilize all repayment mechanisms, including the green  
13 energy money saver on-bill program, financing tools,  
14 servicing and other arrangements, and sources of  
15 capital available to the authority;

16 (4) Exercise powers to organize and establish special  
17 purpose entities as limited liability companies under  
18 the laws of the State;

**19** (5) Acquire, hold, and sell qualified securities;

**20** (6) Pledge unencumbered net assets, loans receivable,  
**21** assigned agreements, and security interests over



1 equipment financed, as collateral for the authority's  
2 borrowings from federal, county, or private lenders or  
3 agencies;

4 (7) Utilize the employees of the authority, including the  
5 executive director;

6 (8) Enter into contracts for the service of consultants  
7 for rendering professional and technical assistance  
8 and advice and any other contracts that are necessary  
9 and proper for the implementation of the loan fund  
10 program;

11 (9) Enter into contracts for the administration of the  
12 loan fund program exempt from chapter 103D;

13 (10) Establish loan fund program guidelines;

14 (11) Be audited at least annually by a firm of independent  
15 certified public accountants selected by the authority  
16 and provide the results of the audit to the department  
17 and legislature; and

18 (12) Perform all functions necessary to effectuate the  
19 purposes of this part.

**20**                   (d) In the performance of the functions, powers, and  
**21**                   duties vested in the authority by this part, the authority shall



1 administer the cesspool conversion loan special fund and  
2 cesspool conversion financing program pursuant to section  
3 196- and may:

4 (1) Make loans and expend funds to finance the upgrade or  
5 conversion of existing cesspools in all counties to  
6 director of health-approved wastewater systems or  
7 connection of properties with existing cesspools to  
8 sewerage systems;

9 (2) Implement and administer the cesspool conversion  
10 financing program with funding available under section  
11 342D-83 provided by the department of health on an  
12 annual basis through a memorandum of agreement and  
13 expend funds appropriated to the department for  
14 purposes authorized by the legislature;

15 (3) Coordinate with each county water utility, through  
16 memorandums of agreement, to implement the repayment  
17 mechanism for the cesspool conversion financing  
18 program to have the principal and interest loan  
19 repayments collected from eligible borrowers, and for  
20 each respective county to transmit those collections  
21 to the authority;



- 1        (4) Utilize all repayment mechanisms, financing tools,
- 2        servicing and other arrangements, and sources of
- 3        capital available to the authority;
- 4        (5) Utilize the employees of the authority, including the
- 5        executive director;
- 6        (6) Enter into contracts for the service of consultants
- 7        for rendering professional and technical assistance
- 8        and advice and any other contracts that are necessary
- 9        and proper for the implementation of the cesspool
- 10       conversion financing program;
- 11       (7) Enter into contracts for the administration of the
- 12       cesspool conversion financing program that are exempt
- 13       from chapter 103D;
- 14       (8) Establish guidelines for the cesspool conversion
- 15       financing program;
- 16       (9) Be audited at least annually by a firm of independent
- 17       certified public accountants selected by the authority
- 18       and provide the results of the audit to the department
- 19       and legislature; and
- 20       (10) Perform all functions necessary to effectuate the
- 21       purposes of this part.



1       [+(d)] (e) The authority shall submit an annual report for  
2 the clean energy and energy efficiency revolving loan fund and  
3 the cesspool conversion loan special fund to the legislature no  
4 later than twenty days prior to the convening of each regular  
5 session describing the projects funded and the projected energy  
6 impacts."

7       SECTION 4. There is appropriated out of the general  
8 revenues of the State of Hawaii the sum of \$                           or so  
9 much thereof as may be necessary for fiscal year 2026-2027 to be  
10 deposited into the cesspool conversion loan special fund  
11 established under section 196-   , Hawaii Revised Statutes.

12       SECTION 5. There is appropriated out of the cesspool  
13 conversion loan special fund the sum of \$                           or so much  
14 thereof as may be necessary for fiscal year 2026-2027 for the  
15 hiring of one full-time equivalent (1.0 FTE) program management  
16 position and for the purposes of the cesspool conversion loan  
17 special fund.

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

20       SECTION 6. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.



1 SECTION 7. This Act shall take effect on July 1, 2026.

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INTRODUCED BY:

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JAN 16 2026



# H.B. NO. 1618

**Report Title:**

HGIA; Cesspool Conversion Financing Program; Cesspool Conversion Loan Special Fund; Appropriation

**Description:**

Establishes and appropriates funds for a cesspool conversion loan special fund, to be administered by the Hawaii Green Infrastructure Authority, to provide low-interest loans to eligible homeowners for the upgrade, conversion, or connection of cesspools.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

