
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 exempt by the director of health to be upgraded or
6 converted to director of health-approved wastewater systems or
7 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 all
12 financing mechanisms to accelerate cesspool conversions and
13 provide Hawaii's homeowners with additional financing options,
14 especially for those not able to qualify for bank and credit
15 union financing at reasonable rates and terms.

16 The purpose of this Act is to:



1 (1) Establish a cesspool conversion revolving loan fund
 2 and direct the Hawaii green infrastructure authority
 3 to establish a cesspool conversion financing program
 4 to provide low-interest or forgivable loans for
 5 eligible households to upgrade or convert existing
 6 cesspools in all counties to director of health-
 7 approved wastewater systems or connect properties with
 8 existing cesspools to sewerage systems; and

9 (2) Allow the department of health, through a memorandum
 10 of agreement, to annually transfer funding available
 11 from the water pollution control revolving fund to
 12 capitalize the cesspool conversion financing program.

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

16 "§196- Cesspool conversion revolving loan fund;
 17 cesspool conversion financing program. (a) There is
 18 established in the state treasury the cesspool conversion
 19 revolving loan fund, which shall be administered by the
 20 authority. Funds deposited into the cesspool conversion
 21 revolving loan fund shall include:



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



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

15 (c) Funds appropriated or authorized from the cesspool
16 conversion revolving loan fund shall be expended by the
17 authority. The authority may contract with other public or
18 private entities for the provision of all or a portion of the
19 services necessary for the administration and implementation of
20 the cesspool conversion financing program. The authority may



1 set fees or charges for fund management and technical site
2 assistance provided under this section.

3 (d) All interest earned on the loans, deposits, or
4 investments of the moneys in the fund shall become part of the
5 cesspool conversion revolving loan fund.

6 (e) The authority may establish subaccounts within the
7 cesspool conversion revolving loan fund as necessary.

8 (f) The authority may adopt rules pursuant to chapter 91
9 or publish cesspool conversion financing program guidelines to
10 carry out the purposes of this section.

11 (g) Except as otherwise provided by law, expenditures from
12 the cesspool conversion revolving loan fund, including
13 administrative expenditures, may be made by the authority
14 without appropriation by the legislature or allotment; provided
15 that no expenditure shall be made from and no obligation shall
16 be incurred against the fund in excess of the amount standing to
17 the credit of the fund or for any purpose for which the fund may
18 not be lawfully expended. Nothing in sections 37-31 through 37-
19 41 shall require the proceeds of the cesspool conversion
20 revolving loan fund to be reappropriated annually."



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

3 **"§196-64 Functions, powers, and duties of the authority.**

4 (a) In the performance of, and with respect to the functions,
5 powers, and duties vested in the authority by this part, the
6 authority, as directed by the director and in accordance with a
7 green infrastructure loan program order or orders under section
8 269-171 or an annual plan submitted by the authority pursuant to
9 this section, as approved by the commission for the green
10 infrastructure loan program, may:

11 (1) Make loans and expend funds to finance the purchase or
12 installation of green infrastructure equipment for
13 clean energy technology, demand response technology,
14 and energy use reduction and demand side management
15 infrastructure, programs, and services;

16 (2) Hold and invest moneys in the green infrastructure
17 special fund in investments as permitted by law and in
18 accordance with approved investment guidelines
19 established in one or more orders issued by the
20 commission pursuant to section 269-171;



- 1 (3) Hire employees necessary to perform its duties,
2 including an executive director. The executive
3 director shall be appointed by the authority, and the
4 employees' positions, including the executive
5 director's position, shall be exempt from chapter 76;
- 6 (4) 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 program;
- 10 (5) Enter into contracts for the administration of the
11 loan program, without the necessity of complying with
12 chapter 103D;
- 13 (6) Establish loan program guidelines to be approved in
14 one or more orders issued by the commission pursuant
15 to section 269-171 to carry out the purposes of this
16 part;
- 17 (7) Be audited at least annually by a firm of independent
18 certified public accountants selected by the
19 authority, and provide the results of this audit to
20 the department and the commission; and



1 (8) Perform all functions necessary to effectuate the
2 purposes of this part.

3 (b) The authority shall submit to the commission an annual
4 plan for the green infrastructure loan program for review and
5 approval no later than ninety days prior to the start of each
6 fiscal year. The annual plan submitted by the authority shall
7 include the authority's projected operational budget for the
8 succeeding fiscal year.

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

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

15 (2) Implement and administer loan programs on behalf of
16 other state departments or agencies through a
17 memorandum of agreement and expend funds appropriated
18 to the department or agency for purposes authorized by
19 the legislature;

20 (3) Utilize all repayment mechanisms, including the green
21 energy money saver on-bill program, financing tools,



- 1 servicing and other arrangements, and sources of
2 capital available to the authority;
- 3 (4) Exercise powers to organize and establish special
4 purpose entities as limited liability companies under
5 the laws of the State;
- 6 (5) Acquire, hold, and sell qualified securities;
- 7 (6) Pledge unencumbered net assets, loans receivable,
8 assigned agreements, and security interests over
9 equipment financed, as collateral for the authority's
10 borrowings from federal, county, or private lenders or
11 agencies;
- 12 (7) Utilize the employees of the authority, including the
13 executive director;
- 14 (8) Enter into contracts for the service of consultants
15 for rendering professional and technical assistance
16 and advice and any other contracts that are necessary
17 and proper for the implementation of the loan fund
18 program;
- 19 (9) Enter into contracts for the administration of the
20 loan fund program exempt from chapter 103D;
- 21 (10) Establish loan fund program guidelines;



1 (11) Be audited at least annually by a firm of independent
2 certified public accountants selected by the authority
3 and provide the results of the audit to the department
4 and legislature; and

5 (12) Perform all functions necessary to effectuate the
6 purposes of this part.

7 (d) In the performance of the functions, powers, and
8 duties vested in the authority by this part, the authority shall
9 administer the cesspool conversion revolving loan fund and
10 cesspool conversion financing program pursuant to section
11 196- and may:

12 (1) Make loans and expend funds to finance the upgrade or
13 conversion of existing cesspools in all counties to
14 director of health-approved wastewater systems or
15 connection of properties with existing cesspools to
16 sewerage systems;

17 (2) Implement and administer the cesspool conversion
18 financing program with funding available under section
19 342D-83 provided by the department of health on an
20 annual basis through a memorandum of agreement and

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



1 (9) Perform all functions necessary to effectuate the
2 purposes of this part.

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

9 SECTION 4. There is appropriated out of the Hawaii green
10 infrastructure special fund the sum of \$203,750 or so much
11 thereof as may be necessary for fiscal year 2026-2027 for the
12 establishment and hiring of one full-time equivalent (1.0 FTE)
13 program management position and for the purposes of the cesspool
14 conversion revolving loan fund.

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

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 6. This Act shall take effect upon its approval;
20 provided that section 4 shall take effect on July 1, 2026.



Report Title:

HGIA; Cesspool Conversion Financing Program; Cesspool Conversion Revolving Loan Fund; Hawaii Green Infrastructure Special Fund; Appropriation

Description:

Establishes a Cesspool Conversion Revolving Loan Fund, to be administered by the Hawaii Green Infrastructure Authority, to provide financial assistance, including low-interest or forgivable loans, to eligible homeowners for the upgrade, conversion, or connection of cesspools. Appropriates funds for the establishment and hiring of a program management position and for the purposes of the Cesspool Conversion Revolving Loan Fund. (CD1)

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