

JAN 23 2026

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 (1) Direct the Hawaii green infrastructure authority to
2 establish a cesspool conversion financing program to
3 provide low-interest loans for low- and moderate-
4 income homeowners to upgrade or convert existing
5 cesspools in all counties to director of health-
6 approved wastewater systems or connect properties with
7 existing cesspools to sewerage systems;
- 8 (2) Allow the department of health, through a memorandum
9 of agreement, to annually transfer funding available
10 from the water pollution control revolving fund to
11 capitalize the cesspool conversion financing program;
12 and
- 13 (3) Enable the counties to collaborate with the authority
14 to implement the cesspool conversion financing program
15 by including the principal and interest loan
16 repayments for eligible borrowers on the water bill of
17 each respective county and transmit the collections to
18 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 "S196- 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.

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.



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

7 (2) Implement and administer loan programs on behalf of

8 other state departments or agencies through a

9 memorandum of agreement and expend funds appropriated

10 to the department or agency for purposes authorized by

11 the legislature:

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 est

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 long-term care component. See chapter 103D.

¹² (10) Established a new fund manager with a new

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 sewage 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 [+] (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.

2

INTRODUCED BY: Seal



S.B. NO. 2770

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.

