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

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

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

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



1 authority. Funds deposited into the cesspool conversion

2 revolving loan fund shall include:

3 (1) Moneys appropriated by the legislature;

4 (2) Funds from federal, state, county, private, or other  
5 funding sources, including funds from the department  
6 of health under section 342D-83;

7 (3) Moneys received as repayment of loans and interest  
8 payments; provided that the repayment of loans and  
9 interest payments under this paragraph shall not  
10 include repayment of loans and interest collected as a  
11 result of funds advanced from proceeds of the green  
12 energy market securitization bonds, clean energy and  
13 energy efficiency revolving loan fund, solar  
14 photovoltaic and energy storage loan program, or  
15 condominium loan program; and

16 (4) Any fees collected by the authority under this  
17 section; provided that moneys collected as a result of  
18 the funds advanced from proceeds of the green energy  
19 market securitization bonds, clean energy and energy  
20 efficiency revolving loan fund, solar photovoltaic and  
21 energy storage loan program, and condominium loan



1           program shall be kept separate from fees collected as  
2           a result of funds advanced from proceeds of the  
3           cesspool conversion revolving loan fund.

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

18           (c) Funds appropriated or authorized from the cesspool  
19           conversion revolving loan fund shall be expended by the  
20           authority. The authority may contract with other public or  
21           private entities for the provision of all or a portion of the



1 services necessary for the administration and implementation of  
2 the cesspool conversion financing program. The authority may  
3 set fees or charges for fund management and technical site  
4 assistance provided under this section.

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

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

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

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



1 41 shall require the proceeds of the cesspool conversion  
2 revolving loan fund to be reappropriated annually."

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

5 **"§196-64 Functions, powers, and duties of the authority.**

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

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

18 (2) Hold and invest moneys in the green infrastructure  
19 special fund in investments as permitted by law and in  
20 accordance with approved investment guidelines



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



1 authority, and provide the results of this audit to  
2 the department and the commission; and

3 (8) Perform all functions necessary to effectuate the  
4 purposes of this part.

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

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

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

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



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



- 1 (9) Enter into contracts for the administration of the
- 2 loan fund program exempt from chapter 103D;
- 3 (10) Establish loan fund program guidelines;
- 4 (11) Be audited at least annually by a firm of independent
- 5 certified public accountants selected by the authority
- 6 and provide the results of the audit to the department
- 7 and legislature; and
- 8 (12) Perform all functions necessary to effectuate the
- 9 purposes of this part.

10 (d) In the performance of the functions, powers, and  
 11 duties vested in the authority by this part, the authority shall  
 12 administer the cesspool conversion revolving loan fund and  
 13 cesspool conversion financing program pursuant to section  
 14 196- and may:

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

20 (2) Implement and administer the cesspool conversion  
 21 financing program with funding available under section



- 1           342D-83 provided by the department of health on an  
2           annual basis through a memorandum of agreement and  
3           expend funds appropriated to the department for  
4           purposes authorized by the legislature;
- 5           (3) Utilize all repayment mechanisms, financing tools,  
6           servicing and other arrangements, and sources of  
7           capital available to the authority;
- 8           (4) Utilize the employees of the authority, including the  
9           executive director;
- 10          (5) Enter into contracts for the service of consultants  
11          for rendering professional and technical assistance  
12          and advice and any other contracts that are necessary  
13          and proper for the implementation of the cesspool  
14          conversion financing program;
- 15          (6) Enter into contracts for the administration of the  
16          cesspool conversion financing program that are exempt  
17          from chapter 103D;
- 18          (7) Establish guidelines for the cesspool conversion  
19          financing program;
- 20          (8) Be audited at least annually by a firm of independent  
21          certified public accountants selected by the authority



1           and provide the results of the audit to the department  
 2           and legislature; and  
 3           (9) Perform all functions necessary to effectuate the  
 4           purposes of this part.

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

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

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



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

3           SECTION 6. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5           SECTION 7. This Act shall take effect on July 1, 2050.



**Report Title:**

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

**Description:**

Establishes and appropriates funds for 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. Effective 7/1/2050. (SD1)

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

