

Senate Bill 1563

Sponsored by Senator ROBLAN (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Authorizes Environmental Quality Commission to develop low-interest loan program for on-site septic system repairs, replacements, upgrades or evaluations. Authorizes commission to adopt rules for administration of loan program by Department of Environmental Quality.

Establishes On-site Septic System Loan Fund. Continuously appropriates moneys in fund to department for purposes of loan program. Directs department to use moneys in fund to provide loans for repair, replacement, upgrade or evaluation of on-site septic systems and to pay administrative costs.

Authorizes department to contract with other persons to administer or operate all or any part of loan program.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to on-site septic system financing; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. As used in sections 1 to 5 of this 2016 Act:**

5 (1)(a) **"On-site septic system" means a subsurface on-site sewage treatment and disposal**
6 **system, including, but not limited to, alternative sewage disposal systems, nonwater-carried**
7 **sewage disposal facilities and subsurface sewage disposal systems as those terms are defined**
8 **in ORS 454.605.**

9 (b) **"On-site septic system" does not include any system that is designed to treat and**
10 **dispose of industrial waste.**

11 (2) **"Person" means a natural person capable of being legally bound, a sole proprietorship,**
12 **a corporation, a partnership, a limited liability company or partnership, a limited partner-**
13 **ship, a for-profit or nonprofit unincorporated association, a business trust, two or more**
14 **persons having a joint or common economic interest, any other person with legal capacity**
15 **to contract or a public body as that term is defined in ORS 174.109.**

16 **SECTION 2. The Legislative Assembly declares it to be the policy of this state to assist**
17 **the people of this state in protecting public health and safety and the quality of the waters**
18 **of this state by making loans available for the repair, replacement, upgrade or evaluation of**
19 **residential or small business on-site septic systems. The Legislative Assembly also declares**
20 **it to be the policy of this state to offer affordable loans to assist residents to remain in their**
21 **homes and thereby promote long-term home ownership and sustainable housing opportu-**
22 **nities.**

23 **SECTION 3. (1) The Environmental Quality Commission may adopt rules necessary for**
24 **the Department of Environmental Quality to administer an on-site septic system loan pro-**
25 **gram consistent with sections 1 to 5 of this 2016 Act. In adopting rules under this subsection,**
26 **the commission shall develop a low-interest loan program that prioritizes, but is not limited**
27 **to, providing loans to low and moderate income and small business applicants that are unable**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 to obtain traditional financing for on-site septic system repairs, replacements, upgrades or
 2 evaluations.

3 (2) The rules adopted by the commission must limit participation of lenders in the loan
 4 program to lenders that agree to subordinate their liens to the borrowers' consensual
 5 mortgage liens.

6 (3) The department may:

7 (a) To the maximum extent feasible and consistent with prudent financial controls, con-
 8 tract with any person to administer or operate all or any part of the loan program authorized
 9 under sections 1 to 5 of this 2016 Act; and

10 (b) As part of the loan program, provide grants to carry out programs consistent with
 11 the loan program authorized under sections 1 to 5 of this 2016 Act.

12 **SECTION 4.** (1) The On-site Septic System Loan Fund is established in the State Treas-
 13 ury, separate and distinct from the General Fund. Interest earned by the On-site Septic
 14 System Loan Fund shall be credited to the fund. Moneys in the fund are continuously ap-
 15 propriated to the Department of Environmental Quality to be used for the purposes described
 16 in section 5 of this 2016 Act.

17 (2) The On-site Septic System Loan Fund shall consist of all moneys credited to the fund,
 18 including:

19 (a) Moneys appropriated to the fund by the Legislative Assembly;

20 (b) Any other revenues derived from gifts, grants or bequests pledged to the state for the
 21 purpose of providing financial assistance for on-site septic system repairs, replacements,
 22 upgrades or evaluations; and

23 (c) The repayment of financial assistance, including interest earnings, provided by mon-
 24 eys from the fund.

25 (3) Moneys in the fund may, with the approval of the State Treasurer, be invested as
 26 provided by ORS 293.701 to 293.857, and the earnings from the investments shall be credited
 27 to the fund.

28 **SECTION 5.** (1) The Department of Environmental Quality shall use the moneys in the
 29 On-site Septic System Loan Fund to:

30 (a) Pay the costs of administering the loan program authorized under sections 1 to 5 of
 31 this 2016 Act, including, but not limited to, costs associated with community outreach, fi-
 32 nancial risk analyses, loan origination and servicing and development of related programs;

33 (b) Provide grants as authorized under section 3 of this 2016 Act;

34 (c) Provide loans to applicants under the loan program authorized under sections 1 to 5
 35 of this 2016 Act; and

36 (d) Provide grants for performing evaluations to identify on-site septic systems likely to
 37 present a risk to public health and safety or the quality of the waters of this state.

38 (2) Loans provided to applicants under the loan program authorized under sections 1 to
 39 5 of this 2016 Act must be used for at least one of the following purposes to address a public
 40 health and safety risk or to otherwise protect or maintain water quality in the waters of this
 41 state:

42 (a) To repair a damaged, malfunctioning or inoperable residential or small business on-
 43 site septic system.

44 (b) To replace a damaged, malfunctioning or inoperable residential or small business on-
 45 site septic system with:

1 (A) A new, used or reconditioned functional residential or small business on-site septic
2 system;

3 (B) A new, used or reconditioned functional cluster on-site septic system; or

4 (C) A connection to sewer services, and to properly decommission and discontinue use
5 of the on-site septic system.

6 (c) To upgrade a residential or small business on-site septic system with a newer or more
7 advanced on-site septic system.

8 (d) To replace the waste disposal well or sewage drill hole of an otherwise functional
9 residential or small business on-site septic system.

10 (e) To conduct an evaluation of a residential or small business on-site septic system to
11 determine whether repair or replacement is necessary.

12 (3) In administering the loan program authorized under sections 1 to 5 of this 2016 Act,
13 the department shall:

14 (a) Seek to maximize the ability for the moneys in the On-site Septic System Loan Fund
15 to provide a sustainable source of financing for residential and small business on-site septic
16 system repairs, replacements, upgrades and evaluations;

17 (b) Use accounting, auditing and fiscal procedures that conform to generally accepted
18 government accounting standards; and

19 (c) Require that any person under a contract with the department to administer or op-
20 erate all or any part of the loan program must use accounting, auditing and fiscal procedures
21 that conform to generally accepted accounting standards.

22 (4) A loan provided to an applicant under the loan program authorized under sections 1
23 to 5 of this 2016 Act may be used only to repair, replace or upgrade an on-site septic system
24 in a manner that meets the requirements of ORS 454.605 to 454.755 and the implementing
25 rules of the Environmental Quality Commission.

26 SECTION 6. The Department of Environmental Quality shall submit annual reports on
27 the On-site Septic System Loan Fund, in the manner provided by ORS 192.245, to the appro-
28 priate committees of the Legislative Assembly related to environmental quality during the
29 2017 and 2018 regular legislative sessions.

30 SECTION 7. In addition to and not in lieu of any other appropriation, there is appropri-
31 ated to the Department of Environmental Quality, for the biennium beginning July 1, 2015,
32 out of the General Fund, the amount of \$250,000 to be deposited in the On-site Septic System
33 Loan Fund, for the purposes of implementing and administering the provisions of sections 1
34 to 5 of this 2016 Act and for the purposes described in section 5 of this 2016 Act.

35 SECTION 8. This 2016 Act being necessary for the immediate preservation of the public
36 peace, health and safety, an emergency is declared to exist, and this 2016 Act takes effect
37 on its passage.