

# Senate Bill 812

Sponsored by Senator ROBLAN, Representative GOMBERG

## 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**.

Modifies grant agreement requirements for Department of Environmental Quality grants to low-interest loan programs for on-site septic system repairs, replacements, upgrades and evaluations. Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to on-site septic system financing; amending section 2, chapter 87, Oregon Laws 2016; and  
3 declaring an emergency.

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

5 **SECTION 1.** Section 2, chapter 87, Oregon Laws 2016, is amended to read:

6 **Sec. 2.** (1) As used in this section and section 1 of this 2016 Act:

7 (a) "Available sewer" means an existing public sewer system that a residence or small business  
8 is capable of being connected to:

9 (A) In compliance with state and local law; and

10 (B) Without a significant extension of the public sewer system.

11 (b) "Loan program" means a program funded by a grant awarded under this section.

12 (c)(A) "On-site septic system" means a subsurface on-site sewage treatment and disposal system,  
13 including, but not limited to, alternative sewage disposal systems, nonwater-carried sewage disposal  
14 facilities and subsurface sewage disposal systems as those terms are defined in ORS 454.605.

15 (B) "On-site septic system" does not include any system that is designed to treat and dispose  
16 of industrial waste.

17 (d) "Small business" means a corporation, partnership, sole proprietorship or other legal entity  
18 formed for the purpose of making a profit and that generates less than 3,500 gallons of wastewater  
19 per day.

20 (2) The Department of Environmental Quality shall award grants for the purpose of developing  
21 and administering loan programs to provide low-interest loans for the purposes described in sub-  
22 section (3)(b) of this section. The Environmental Quality Commission may adopt rules necessary to  
23 implement the provisions of this section.

24 (3) The department may not disburse grant funds under this section unless the department and  
25 the intended grant award recipient first enter into a grant agreement. The grant agreement must:

26 (a) Provide that a lender that participates in a loan program must agree to subordinate the  
27 lender's lien to the borrower's consensual mortgage lien.

28 (b) Require that loans provided to borrowers under a loan program must be used for at least  
29 one of the following purposes to address a public health and safety risk or to otherwise protect or  
30 maintain water quality in the waters of this state:

31 (A) To repair a damaged, malfunctioning or inoperable residential or small business on-site

**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 septic system.

2 (B) To replace a damaged, malfunctioning or inoperable residential or small business on-site  
3 septic system with:

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

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

6 (iii) A connection to an available sewer, and to properly decommission and discontinue use of  
7 the on-site septic system.

8 (C) To upgrade a residential or small business on-site septic system with a newer or more ad-  
9 vanced on-site septic system. An upgrade may include alterations if the work is part of a repair or  
10 if the on-site septic system being upgraded is more than 25 years old.

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

13 (E) To conduct *[an]* a **regional** evaluation of *[a]* **community**, residential or small business on-  
14 site septic *[system]* **systems** to determine whether repair or replacement is necessary.

15 (c) Require that, if a residence or small business with a damaged, malfunctioning or inoperable  
16 on-site septic system is located within the territory of an available sewer, *[and a connection to the*  
17 *available sewer is a cost-effective option]* **and is required to connect to the available sewer**, a loan  
18 provided under a loan program to address the damaged, malfunctioning or inoperable on-site septic  
19 system must be used to install a connection to the available sewer and to properly decommission  
20 and discontinue use of the on-site septic system.

21 (d) Require that a loan provided under a loan program must be in an amount that covers 100  
22 percent of the costs associated with the purposes under paragraph (b) of this subsection for which  
23 the loan is provided, **unless the borrower requests and consents to a loan that covers a lower**  
24 **percentage of the costs.**

25 (e) Require that a grant award recipient must provide a mechanism for ensuring compliance with  
26 any locally required operation and maintenance of an on-site septic system for which a loan is pro-  
27 vided under a loan program.

28 (f) Require that a grant award recipient use accounting, auditing and fiscal procedures that  
29 conform to generally accepted government accounting standards.

30 (4) In selecting grant award recipients under this section, the department shall give preference  
31 to applicants that:

32 (a) Prioritize, but do not limit themselves to, providing loans to low and moderate income and  
33 small business applicants that are unable to obtain traditional financing;

34 (b) Can demonstrate prior success in offering, underwriting, servicing and managing loans to:

35 (A) Members of low and moderate income populations;

36 (B) Persons with a range of credit qualifications; and

37 (C) Residential and commercial borrowers; and

38 (c) Plan to engage additional stakeholders in outreach and marketing efforts for a loan program.

39 **SECTION 2. This 2017 Act being necessary for the immediate preservation of the public**  
40 **peace, health and safety, an emergency is declared to exist, and this 2017 Act takes effect**  
41 **on its passage.**