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OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
TESTIMONY BEFORE THE HOUSE COMMITTEE ON WATER

House Bill 4070 – Onsite Septic Loan Program

February 4th, 2020

Background

- Over 30% of all Oregonians rely on some form of decentralized wastewater treatment, typically onsite septic systems, to treat sewage from their homes and businesses.
 - Estimates indicate that 10 – 20% of onsite septic systems may be failing, resulting in a variety of environmental and public health risks.
- SB 1563 (2016) established a new Onsite Septic System Loan Program directing DEQ to award grants for development and administration of a low-interest loan program for repairing, replacing or evaluating residential or small business on-site septic systems, particularly aimed at providing loan services to low-income Oregonian households.
- As of Sept 2019, the state had contributed nearly \$1.7M (General Fund pass-thru from DEQ to the loan program) resulting in over \$2.8M in closed loans to 146 residences and small businesses in 27 counties (81 different cities) statewide.
- Two complementary bills potentially addressing funding for Onsite Septic System Loans were introduced during the 2019 Legislative Session:
 - SB 756 would have provided additional \$2M in GF appropriations as grant funding to further capitalize the OLP. Although passed out of committee by Senate Environment and Natural Resources, it was not acted upon by Ways & Means before end of session.
 - SB 884 was enacted to amend Oregon’s Clean Water State Revolving Fund definition of eligible borrowers from solely public entities to allow lending to non-profit Community Development Financial Institutions (CDFIs) for the specific purpose of lending to individual homeowners for septic repair, replacement or connection to public sewer system, if available.

- The new type of CWSRF lending established by SB 884 requires careful consideration by DEQ to mitigate the risks associated with private lending. To meet these needs, the agency has begun a rulemaking process that includes careful analysis and stakeholder engagement to ensure that the proper rules and procedures are in place to lend to non-profit CDFIs while safeguarding the integrity and perpetuity of the loan fund. As a result, rulemaking is not expected to be complete (and SRF funds available to CDFI's for these types of loans) until late 2020 or early 2021.

HB 4070

- As introduced, this bill appropriates \$2,000,000 General Fund to DEQ for awarding grants for the purpose of providing low-interest loans for the repair, replacement, upgrade or evaluation of residential or small business onsite septic systems.
- As has been demonstrated during the first 3 years of the programs activities, a significant proportion of new loans would likely go towards households earning below 80% of the area median income.
- DEQ administrative costs for this program during the 2017-19 biennium were significantly less than the authorized amount. The balance of unused administrative funds have been, and would continue to be, made available as additional funding for the loan program.

Testimony provided by:

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