

**A-Engrossed**  
**Senate Bill 246**

Ordered by the Senate April 22  
Including Senate Amendments dated April 22

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Governor John A. Kitzhaber, M.D., for Department of Environmental Quality)

**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.

Authorizes Environmental Quality Commission to develop low-interest loan program to complete on-site septic system repairs, replacements, *[or]* 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. Designates sources of fund. Directs department to use moneys in fund to provide loans for repair, replacement, *[or]* upgrade **or survey** 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 2015 Act:**

5 (1)(a) **“On-site septic system” means any existing or proposed subsurface on-site sewage**  
6 **treatment and disposal system, including, but not limited to, alternative sewage disposal**  
7 **systems, nonwater-carried sewage disposal facilities and subsurface sewage disposal systems**  
8 **as those terms are defined 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 the State of Oregon**  
17 **to assist the people of this state in protecting public health and safety and the quality of the**  
18 **waters of this state by making loans available for the repair, replacement or upgrade of**  
19 **residential or small business on-site septic systems. The Legislative Assembly also declares**  
20 **it the policy of the State of Oregon to offer affordable loans to assist residents to remain in**  
21 **their homes and thereby promote long-term home ownership and sustainable housing op-**  
22 **portunities.**

**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       **SECTION 3.** (1) The Environmental Quality Commission may adopt rules necessary for  
2 the Department of Environmental Quality to administer an on-site septic system loan pro-  
3 gram consistent with sections 1 to 5 of this 2015 Act. In adopting rules under this subsection,  
4 the commission shall develop a low-interest loan program that prioritizes, but is not limited  
5 to, providing loans to low and moderate income and small business applicants who may not  
6 be able to obtain traditional financing to complete on-site septic system repairs, replace-  
7 ments or upgrades.

8       (2) The rules adopted by the commission shall limit participation in the loan program to  
9 lenders that agree to subordinate their liens to the borrowers' consensual mortgage liens.

10       (3) The department may:

11       (a) To the maximum extent feasible and consistent with prudent financial controls, con-  
12 tract with any person to administer or operate all or any part of the loan program authorized  
13 under sections 1 to 5 of this 2015 Act; and

14       (b) As part of the loan program, provide grants to carry out programs consistent with  
15 the loan program authorized under sections 1 to 5 of this 2015 Act.

16       **SECTION 4.** (1) The On-site Septic System Loan Fund is established in the State Treas-  
17 ury, separate and distinct from the General Fund. Interest earned by the On-site Septic  
18 System Loan Fund shall be credited to the fund. Moneys in the fund are continuously ap-  
19 propriated to the Department of Environmental Quality to be used for the purposes described  
20 in section 5 of this 2015 Act.

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

23       (a) Moneys appropriated to the fund by the Legislative Assembly in the amount of  
24 \$\_\_\_\_\_;

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

28       (c) Repayment of financial assistance, including interest earnings, provided by moneys  
29 from the fund.

30       (3) The State Treasurer may invest and reinvest moneys in the On-site Septic System  
31 Loan Fund in the manner provided by law. All earnings from the investment and reinvest-  
32 ment shall be credited to the fund.

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

35       (a) Pay the costs of administering the loan program authorized under sections 1 to 5 of  
36 this 2015 Act, including, but not limited to, costs associated with community outreach, fi-  
37 nancial risk analyses, loan origination and servicing and development of related programs;

38       (b) Provide grants as authorized under section 3 of this 2015 Act;

39       (c) Provide loans to applicants under the loan program authorized under sections 1 to 5  
40 of this 2015 Act; and

41       (d) Provide grants for performing evaluations to identify septic systems likely to present  
42 a risk to public health or the environment.

43       (2) Loans provided to applicants under the loan program authorized under sections 1 to  
44 5 of this 2015 Act must be used for one of the following purposes to address a public health  
45 risk or to otherwise protect or maintain water quality in the waters of this state:

1 (a) To repair a damaged, malfunctioning or inoperable residential or small business on-  
2 site septic system or an on-site septic system.

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

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

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

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

10 (c) To upgrade an existing residential or small business on-site septic system with a  
11 newer or more advanced on-site septic system that will better protect public health and  
12 safety and the quality of the waters of this state.

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

15 (e) To conduct a survey of a residential or small business on-site septic system to de-  
16 termine whether repair or replacement is necessary.

17 (3) In administering the loan program authorized under sections 1 to 5 of this 2015 Act,  
18 the department shall:

19 (a) Seek to maximize the ability for the moneys in the On-site Septic System Loan Fund  
20 to provide a perpetual source of financing for residential or small business on-site septic  
21 system repairs, replacements and upgrades;

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

24 (c) Require that any person under contract to the department to administer or operate  
25 all or any part of the loan program use accounting, auditing and fiscal procedures that con-  
26 form to generally accepted government accounting standards.

27 (4) A loan provided to an applicant under the loan program authorized under sections 1  
28 to 5 of this 2015 Act may only be used to repair an existing septic system or to replace a  
29 septic system as required to comply with ORS 454.605 to 454.755 and the implementing rules  
30 of the Environmental Quality Commission.

31 **SECTION 6.** The Department of Environmental Quality shall submit reports on the On-  
32 site Septic System Loan Fund in the manner provided by ORS 192.245 to a committee of the  
33 Legislative Assembly related to environmental quality as appropriate during the 2016 and  
34 2017 legislative sessions.

35 **SECTION 7.** This 2015 Act being necessary for the immediate preservation of the public  
36 peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect  
37 on its passage.

38