



State of Oregon Department of Environmental Quality

Draft Fiscal Impact Statement

Clean Water State Revolving Fund 2020 Rulemaking
Advisory Committee Meeting #4

Introduction

DEQ invites public input on proposed permanent rule amendments to chapter 340 of the Oregon Administrative Rules.

Fee analysis

This rulemaking does not involve fees.

Statement of fiscal and economic impact

Fiscal and economic impact

There could be many fiscal and economic impacts from the proposed rule changes to DEQ's Clean Water State Revolving Fund. Senate Bill 884 made nonprofit Community Development Financial Institutions a new type of eligible CWSRF borrower. The proposed rule changes have a direct fiscal impact on CDFIs by allowing them to use CWSRF below market-rate loans to finance sub loans to the general public for repairing and replacing failing onsite septic systems or connecting to an available sewer system.

The CWSRF program itself may experience negative fiscal impacts related to administrative costs and the loan fund's perpetuity. No other DEQ programs will be impacted.

There are direct economic benefits to the general public and indirect economic benefits to large and small business owners. CDFIs will lend CWSRF loan proceeds at below market-rates to sub borrowers, creating a positive fiscal impact on the general public by ensuring loan affordability for septic system projects that have a water quality benefit.

There are also indirect economic benefits to the general public and business owners located near a project funded by the CDFIs septic loan program. CDFIs and their sub borrowers will have access to affordable below-market rate loans that will assist with repairs and potentially generate business activity near the project locations, including hiring septic repair companies and purchasing equipment.

Statement of Cost of Compliance

State agencies

DEQ

Direct Impacts

The revolving nature of the loan fund makes the Clean Water State Revolving Fund program self-sustaining in terms of program administration and administrative costs. The proposed rules would have fiscal impacts to the program and no impacts to other DEQ programs.

Direct impacts

- New eligible nonprofit CDFI borrower: There are additional administrative costs associated with setting up a CDFI lending program, developing new underwriting guidelines, developing new forms and accounting processes, and assessing the nature of this type of lending over the short and long term and its impacts on the fund's perpetuity.
- Housekeeping items: No known fiscal impact.

Indirect impacts

No known indirect impacts.

Local governments

Direct impacts

No known direct impacts.

Indirect impacts

Counties and land use planning departments may see an increase in permit applications related to repairing and replacing failing onsite septic systems or connecting to an available sewer system due to onsite septic system owners having an increased access to below-market rate loans for the project costs.

Public

The general public is not eligible to borrow CWSRF loan funds directly.

Direct impacts

While unable to borrow directly from the CWSRF loan program, members of the general public will directly benefit by having access to affordable loans from a CDFI as a result of the below-market rates and loan subsidy that the CDFI receives from the CWSRF loan and passes on to its sub-borrowers.

Indirect impacts

General public members may be more likely to address septic repairs due to access to affordable loans which may result in more septic repairs, replacements or connections to an available sewer system that will further provide economic benefits related to improved water quality. Contractors could see an increase in new contracts creating additional economic benefits for the public.

Large businesses - businesses with more than 50 employees

The proposed rules would have no direct economic impact on large businesses because they are not eligible to borrow CWSRF loan funds.

Direct impacts

No known direct impacts

Indirect impacts

There may be indirect beneficial economic impacts to businesses located in, or providing services in, the areas near a project funded by the CDFI's onsite septic system loan program. Onsite septic system manufacturers, installers and construction-related businesses may benefit from an increase in contracts if they are hired to work on a project funded by the CDFI's onsite septic system loan program.

Small businesses – businesses with 50 or fewer employees

ORS 183.336 Cost of Compliance Effect on Small Businesses

The effect of the proposed rules on small businesses would be identical to the effect on large businesses, as described above.

a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

None. Small businesses are not eligible to borrow the program's funds.

b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

No additional activities are required to comply with the proposed rules.

c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

No additional resources are required for compliance with the proposed rules.

d. Describe how DEQ involved small businesses in developing this proposed rule.

No small businesses participated in developing the proposed rules because the rules do not directly affect them.

Documents relied on for fiscal and economic impact

Document title	Document location
EPA guidance and policy memos for the Clean Water State Revolving Fund loan program	DEQ Headquarters, 700 NE Multnomah, Suite 600, Portland, OR 97232
Summary of Clean Water State Revolving Fund Advisory Committee Recommendations	Clean Water State Revolving Fund Rulemaking Website

Advisory committee fiscal review

As ORS 183.33 requires, DEQ will ask for the committee’s recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses; if so, then how DEQ can comply with ORS 183.540 reduce that impact.

The committee will review the draft fiscal and economic impact statement and its findings will be stated in the approved minutes.

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel.

DEQ determined the proposed rules would have no effect on the development costs because the proposed rules only affect the cost of lending CWSRF loan funds to CDFIs, and the cost of the CDFI’s sub loans issued to septic system owners for repairing and replacing failing on-site septic systems or connecting to an available sewer system on existing developments.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.