

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7217

BILL NUMBER: SB 414

NOTE PREPARED: Feb 6, 2023

BILL AMENDED:

SUBJECT: Onsite Sewage Systems and Holding Tanks.

FIRST AUTHOR: Sen. Byrne

FIRST SPONSOR: Rep. Engleman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Definition:* The bill defines "alternative residential onsite sewage system" as a system that:

- (1) is designed for the collection, storage, treatment, and disposal of sewage from the dwelling of one or two families;
- (2) is installed in a place that is not suitable for a standard septic system;
- (3) is a replacement for a standard septic system that did not function properly;
- (4) is based on a design or plan approved by the National Sanitation Foundation;
- (5) employs advanced treatment components not used in standard septic systems;
- (6) discharges treated effluent above ground; and
- (7) requires more frequent testing and maintenance than a standard septic system.

NPDES Permits: The bill requires the Environmental Rules Board (ERB) to adopt rules, including emergency rules, to establish standards and specifications, effluent limitations, and inspection, maintenance, testing, service, and repair requirements for alternative residential onsite sewage systems. It requires the Department of Environmental Management (IDEM) to issue a National Pollutant Discharge Elimination System (NPDES) general permit that will authorize the installation and use of alternative residential onsite sewage systems.

Alternative Residential Onsite Sewage Systems: The bill requires a local health department to grant a permit for an alternative residential onsite sewage system if certain requirements are met, including:

- (1) the permit applicant has obtained coverage under the general permit;
- (2) the applicant affirms in writing that the alternative residential onsite sewage system will be installed and maintained in accordance with the rules of the ERB; and
- (3) the permit applicant has filed an affidavit for recording in the county recorder's office that will

provide notice to any prospective transferee of the applicant's property that the transferee will be subject to the ongoing inspection, maintenance, testing, service, and repair requirements applying to alternative residential onsite sewage systems.

The bill provides that if the owner of property served by an alternative residential onsite sewage system fails to satisfy any inspection, maintenance, testing, service, or repair requirement, the local health department shall have the needed work done and shall bill the property owner for the cost. It provides that these costs, plus fees, if unpaid, become a lien against the property.

Holding Tanks: The bill provides that septage that originates from a residential or commercial source may be held in one or more holding tanks of not more than 10,000 gallons until removed and transported from the site. It establishes requirements for septage holding tanks. It requires a permit from the local health department for the operation of a septage holding tank. It requires a septage tank owner to enter into a written contract with a septage management vehicle operator for regular removal of septage from the tank, to provide a copy of the contract to the local health department, and to provide proof to the local health department that the tank owner is regularly paying for the removal of septage from the holding tank. It also requires a local health department to report to IDEM concerning the septage tanks in its jurisdiction.

Effective Date: Upon passage; July 1, 2023.

Explanation of State Expenditures: *Alternative Residential Onsite Sewage Systems:* The bill requires the ERB to adopt rules, including emergency rules, concerning alternative residential onsite sewage systems, establishing standards, effluent limitations, minimum qualifications for those who install and maintain the systems, and testing requirements for effluent discharged. After the adoption of rules, IDEM must issue NPDES permits to authorize the installation and use of alternative residential onsite sewage systems. The adoption of rules and the issuing of permits are routine functions and should be completed within existing resources assuming near customary staffing and resource levels.

Holding Tanks: The bill allows the ERB to adopt rules or IDEM to establish guidelines regarding the frequency and content of the reports required for permittees of holding tanks, to be submitted to local health departments. Local health departments would be required to report this information to IDEM.

Explanation of State Revenues: *Alternative Residential Onsite Sewage Systems:* The bill could increase revenue for NPDES permits, and will depend on the number of permits issued and the fee for the permit. The bill requires that a sample of the effluent discharged from an alternative residential onsite sewage system be tested at least once every three months by a laboratory approved by IDEM. Therefore, testing fee revenue could increase if owners send samples for testing to the Indiana Department of Health.

Explanation of Local Expenditures: *Local Health Departments:* The bill would increase workload and expenditures for local health departments to issue permits for alternative residential onsite sewage systems. Additionally, if an owner of a property served by an alternative residential onsite sewage system fails to satisfy any inspection, maintenance, testing, service, or repair requirement, the local health department is to have the work completed and bill the property owner for the cost. Any costs, plus fees, that remain unpaid will become a lien against the property. The local health department would be required to pay any filing fees necessary for the lien, and would be required to mail notice of the lien to the property owner, by certified mail or by another delivery service providing proof of delivery. The local health department must also certify with the county auditor a list of unpaid liens.

The bill may also increase workload for local health departments, as it allows them to establish requirements for the issuance of holding tank permits. If a local health department chooses to issue holding tank permits, they would be required to report to IDEM certain information (the content and frequency determined by the ERB or IDEM, if rules or guidelines are set).

County Officials: The bill could minimally increase workload for county recorders regarding alternative residential onsite sewage systems for the recording and removal of affidavits with deed records filed by property owners, and for the recording and releasing of liens filed by local health departments. County auditors and treasurers must add the delinquent costs, fees, and charges for collection with property tax installments.

Explanation of Local Revenues: *Local Health Departments and Utilities:* The bill could increase permit fee revenue for local health departments for the issuing of permits for alternative residential onsite sewage systems and permits for holding tanks. The bill could also increase testing fee revenue if a local health department or utility provides effluent testing services and is an IDEM-approved laboratory.

County Recorders: The bill could increase fee revenue for county recorders regarding alternative residential onsite sewage systems for the filing of an affidavit in deed records by a property owner to make known to any prospective transferee of the property the continuing inspection, maintenance, and testing requirements of the system. The county recorder may also charge a fee for the removal of the affidavit (conditions apply) and for the filing and removal of liens.

County General Fund: The bill adds a \$5 service charge when a lien is filed against a property for delinquent costs incurred by local health departments, and a \$15 certification fee when the lien is certified to the county auditor for collection with property tax installments. The service charges and certification fees, when collected, are to be deposited in the county general fund.

State Agencies Affected: Department of Environmental Management, Environmental Rules Board, Department of Health.

Local Agencies Affected: Local health departments, county officials, and utility testing labs.

Information Sources:

Indiana Department of Health, Onsite Sewage Systems Program and Testing Laboratories:

<https://www.in.gov/health/eph/onsite-sewage-systems-program/>

<https://www.in.gov/health/laboratories/chemistry-laboratories/environmental-chemistry/>

<https://www.in.gov/health/laboratories/files/CERTIFIED-IN-STATE-LABS.pdf>

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