

SENATE BILL REPORT

SB 5387

AS PASSED SENATE, MARCH 16, 1993

Brief Description: Including the water pollution control revolving fund in the funds that will be credited with earnings of investments of surplus funds.

SPONSORS: Senators Fraser, Talmadge and Haugen; by request of Department of Ecology

SENATE COMMITTEE ON ECOLOGY & PARKS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fraser, Chairman; Barr, Deccio, McCaslin, Moore, Sutherland, and Talmadge.

Staff: Cathy Baker (786-7708)

Hearing Dates: February 1, 1993; February 8, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Spanel, Vice Chairman; Bluechel, Cantu, Hargrove, Hochstatter, McDonald, Moyer, Owen, Pelz, Quigley, Roach, Snyder, Sutherland, West, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: February 17, 1993; February 22, 1993

HOUSE COMMITTEE ON ENVIRONMENTAL AFFAIRS

HOUSE COMMITTEE ON REVENUE

BACKGROUND:

The water pollution control revolving fund (also known as the state revolving loan fund) was created by the 1988 Legislature in order to receive federal grants for financing water pollution control facilities. Authorized under the federal Clean Water Act, these "capitalization grants" were intended as seed money for the establishment of permanent revolving funds. Loans are made from the fund to local governments for the purpose of providing capital for water pollution control facilities.

The water pollution control revolving fund will continue to receive federal capitalization grants until 1995 after which time the fund is to be sustained entirely through loan repayments and interest earnings.

In 1991, the Legislature passed and the Governor signed into law a bill requiring that the interest earnings from most state funds, including the water pollution control revolving fund, be credited to the general fund-state.

The U.S. Environmental Protection Agency has stated that the diversion of interest from the revolving fund to the general fund is a violation of the federal Clean Water Act. The state Attorney General's office agrees.

Since federal law supersedes state law, the office of the State Treasurer has been crediting the water pollution control revolving fund with its own interest, and will continue to do so in the future. Interest earnings from the revolving fund are not included in the forecast for the general fund-state.

The EPA has taken the position that the state must certify that DOE is in compliance with all federal requirements, including providing assurances that the interest will accrue to the account now and in the future.

SUMMARY:

The State Treasurer may invest and reinvest moneys in the water pollution control revolving fund in the manner provided by law. All earnings from such investment is credited to the water pollution control revolving fund.

The water pollution control revolving fund receives its proportionate share of earnings from the treasury income account based upon the fund's average daily balance.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Ecology & Parks):

Both federal law and an operating agreement between the Department of Ecology and EPA require that earnings from the water pollution control revolving fund be reinvested in the revolving fund. The state risks losing \$124 million in federal capitalization grants for water pollution control facilities if the state is not brought back into compliance with the federal law.

TESTIMONY AGAINST (Ecology & Parks): None

TESTIFIED (Ecology & Parks): Cheryl Strange, Department of Ecology (pro)

TESTIMONY FOR (Ways & Means):

This is a must do bill. Large amounts of federal monies are at risk.

Both federal law and an operating agreement between the Department of Ecology and EPA require that earnings from the water pollution control revolving fund be reinvested in the revolving fund. The state risks losing \$124 million in federal capitalization grants for water pollution control facilities if the state is not brought back into compliance with the federal law.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Senator Fraser, prime sponsor (pro);
Cheryl Strange, Department of Ecology (pro)

HOUSE AMENDMENT(S):

An emergency clause is added providing for an immediate effective date.