

HOUSE BILL REPORT

ESSB 6204

As Reported By House Committee On:

Agriculture & Ecology
Appropriations

Title: An act relating to livestock identification.

Brief Description: Increasing the efficiency of registering and identifying livestock.

Sponsors: Senate Committee on Agriculture & Environment (originally sponsored by Senator Morton).

Brief History:

Committee Activity:

Agriculture & Ecology: 2/25/98, 2/26/98, 2/27/98 [DPA];

Appropriations: 2/28/98 [DPA(AGEC/APP)s].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: Do pass as amended. Signed by 7 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Anderson, Assistant Ranking Minority Member; Delvin; Koster and Sump.

Minority Report: Without recommendation. Signed by 1 member: Representative Cooper.

Staff: Kenneth Hirst (786-7105).

Background: The state's livestock identification program is administered by the Washington State Department of Agriculture (WSDA). The program includes the registration and recording of brands, the inspection of cattle and horses for brands and the collection of brand inspection fees, the issuance of certificates identifying individual horses or cattle, the registration of individual identification symbols for horses and other livestock identification activities. Until July 1, 1998, the fee for inspecting cattle at a mandatory inspection point is set by statute at 75 cents per head. Beginning July 1, 1998, the fee is reduced to 60 cents per head. For inspecting horses at these points, the fee is set by the WSDA at not more than \$3 per head until July 1, 1998; thereafter, the fee may be not more than \$2.40 per head.

Certified Feed Lots; Livestock Markets. The WSDA also administers a licensing program for feed lots and public livestock markets. With certain exceptions, cattle entering or re-entering a certified feed lot must be inspected for brands. Until July 1, 1998, the annual licensing fee for a certified feed lot is \$750. Beginning July 1, 1998, the licensing fee is reduced to \$600. A person operating a certified feed lot must also pay a fee for each head of cattle handled through the feed lot. Until July 1, 1998, the fee is 15 cents per head. Beginning July 1, 1998, the fee is reduced to 12 cents per head. For public livestock markets, the licensing fee is based on the daily average gross sales volume of the market. Until July 1, 1998, the licensing fees range from \$150 to \$450; thereafter, the fee range is reduced to \$120 to \$360. The department's responsibilities under the public livestock market statutes include sanitation and disease control.

The fees collected under the statutes for livestock identification, certified feed lots, and public livestock markets are deposited in the Agricultural Local Fund and used for the livestock identification and licensing program.

Summary of Amended Bill: Board. A state Livestock Identification Board is created. The board is composed of the Director of the Department of Agriculture and six voting members appointed by the Governor. The voting members include one beef producer, one cattle feeder, one dairy producer, one meat packer, one livestock market owner, and one horse producer. Nominations for these appointments may be submitted by organizations representing these groups for the Governor's consideration. Members serve three-year terms, although three of the initial appointments are for two-year terms to provide staggered terms of office. Members of the board may receive up to \$50 per day in compensation and are to receive reimbursement for their travel expenses when carrying out duties as members of the board.

Programs Transferred. Responsibility for the administration of the following programs is transferred from the WSDA to the board: the livestock identification program; the certified feed lot licensing program; and the licensing and regulation of public livestock markets. The WSDA retains jurisdiction under the livestock market statutes regarding certain sanitation and disease control requirements. The board must contract with the WSDA for registration and recording services and for investigation or inspection work until June 30, 2004. After that date, the board may contract with the WSDA for such services or may request the WSDA to transfer to it the physical assets supporting these services. The board may hire staff. The officers and employees of the board are exempted from the state Civil Service Law.

Inspections by Veterinarians and others. The board may enter into agreements with state licensed and accredited veterinarians and others who have been certified by the board for conducting livestock inspections. Veterinarians providing livestock inspection may charge a fee for livestock inspection that is separate from the fees collected for the

board for the service. The board may adopt rules necessary to implement this inspection program and may adopt fees to cover the cost associated with certifying veterinarians.

Inspections. References to "brand" inspection in the livestock statutes are changed to references to "livestock" inspection. Inspection is expressly not required for any individual private sale of: unbranded dairy breed milk production cattle involving 15 head or less; and sales of male calves not more than 30 days old by the owner of a licensed dairy. Self inspection for horses is expressly authorized. An inspection of cattle at a feed lot is required for the original licensing of the feed lot. Peace officers are expressly authorized to stop vehicles moving cattle or horses regarding livestock identification. The types of ownership and related certificates needed for livestock identification are clarified.

Public Livestock Markets. Application requirements for licensing public livestock markets are altered. Financial information submitted for such licenses is exempted from public disclosure. Livestock markets must employ veterinarians as the board deems necessary to examine and test livestock to prevent the spread of brucellosis, tuberculosis, and other diseases of livestock.

Account. A Livestock Identification Account is created in the Agricultural Local Fund. Monies collected under the livestock identification program and the statutes regulating certified feed lots and public livestock markets are deposited in the account and used by the board. The account is not subject to appropriation.

Fees. Of the fees used for the livestock identification program and currently scheduled to be reduced on July 1, 1998, only the fee on cattle handled through a certified feed lot is reduced as scheduled. The remainder will not change on that date. The fee for recording a brand and the fee for renewing the brand registration are each increased to \$70 per two year period (from \$25 for the period). The late filing fee for such a renewal is set at \$20. The board is authorized to establish a permanent renewal fee for heritage brands that are not intended for use on livestock.

As currently, the fee for inspecting cattle at inspections points is 75 cents per head and the fee for inspecting horses is \$3 per head, but the board is permitted to set by rule the fee for cattle from 75 cents to \$1 per head and for horses from \$3 to \$5 per head. Such a rule must be approved by the unanimous vote of the board and the initial fee set for inspecting cattle and the initial fee for horses are not restricted to a fiscal growth factor increase over the statutory rates. Sections of the bill providing for fee increases and repealing a scheduled decrease in fees are void unless the provisions of the bill creating the board and transferring authority to the board become law.

Early Actions. The Governor is authorized to make appointments and proposed contracts may be developed prior to the effective date of the bill to provide an orderly transition of authority.

Other. The board may locate its principal office in a location that is central in the state and the WSDA is required to examine the rental and other costs of locating the principal office from which it administers any contract with the board in such a central location. The WSDA must report to the board regarding these costs and must consider locating its contract office centrally if it is cost effective.

Amended Bill Compared to Engrossed Substitute Bill: The striking amendment: sets the fees for inspections conducted at inspection points at 75 cents per head for cattle and \$3 per head for horses, but allows the board, by unanimous vote, to set the fee in the range of 75 cents to \$1 per head for cattle and \$3 to \$5 dollars per head for horses and allows the initial such fees to be set in excess of the fiscal growth factor; exempts from inspection requirements 30-day old male calves from dairies; sets the brand recording fee at \$70 biennially but allows the board to set a permanent renewal fee for heritage brands that are not intended for use on livestock; rather than reducing the licensing fee for certified feed lots and repealing the handling fee, keeps the licensing fee at the current level and (as under current law) sets the handling fee at 12 cents per head on July 1, 1998; places the account for these fees in the Agricultural Local Fund and declares provisions of the bill increasing fees or repealing scheduled decreases in fees to be void if the provisions creating the board and transferring authority to it do not become law; removes the provisions of the bill creating a \$1 per head fee on cattle and horses slaughtered and on sales to non-resident buyers; and removes provisions allowing the board to recover its costs of printing and distributing the brand book.

The striking amendment also: adds a representative of meat packers to the board as a voting member and adds the director as a nonvoting member; requires the board to contract with the department for the recording and livestock inspection work until June 30, 2004, and allows it to request the transfer of physical assets supporting such work after that date; transfers the licensing of public livestock markets to the board and alters license application requirements for applications for such licenses and exempts from disclosure certain financial information in the applications; alters the disease control responsibilities of the department and the market; removes provisions placing enforcement requirements on the state patrol and county sheriffs and no longer expressly lists county sheriffs as potential contract inspectors; removes provisions allowing the registration of individual identification symbols for livestock other than horses and for investigating scars indicating the removal of microchips from such livestock; and allows the board to locate its principal office in a central location in the state and instructs the department to examine the costs of locating its principal livestock identification program office in such a location and to report to the board.

Appropriation: None.

Fiscal Note: Requested on February 24, 1998.

Effective Date of Amended Bill: The bill takes effect on July 1, 1998.

Testimony For: (1) Some kind of active livestock identification program is needed, otherwise, the burden of tracing ownership, including for disease control purposes, falls on the livestock markets. Self inspection may not be recognized in other states as being sufficient. Oregon and Idaho want inspection reciprocity. (2) The program is currently in the red. It needs a broad base of fees and few collection points for the fees. (3) It is hoped that the fees paid by the packers will be passed on to consumers. (4) Full-time inspectors are needed. The main office for the program should not be in Olympia. (5) Law enforcement officers need to be encouraged to enforce the livestock inspection laws. (6) The board will provide effective management for the program. Both Oregon and Idaho have programs run by boards.

Testimony Against: (1) Meat packers will make the feed lots pay the \$1 per head fee levied on packers by the senate bill; the industry is much too competitive to pass it on to consumers. This will mean the feeders will pay \$450,000 per year into a program that they get no benefit from. Those who benefit from the program should pay for it. (2) Cattle feeders are currently struggling to keep their market share. They will be at a huge competitive disadvantage with the \$1 per head fee when buying cattle from other states. The brand inspection has already been paid in those states. (3) Texas and Kansas each feed more cattle in a year than Washington will in 10 years and neither state has brand inspection. Ownership identity of the cattle in a feed lot is needed only for custom feeding; otherwise, the cattle are all owned by the owner of the feed lot. (4) The provisions regarding law enforcement officers are not practical unless the state wishes to fund those requirements. The state patrol inspects only vehicles over 20,000 pounds; most cattle carrying vehicles would be missed. (5) Meat packers are not permitted by federal law to collect other service fees. (6) It is not clear how the slaughter fee will be collected when an animal from this state is slaughtered in another state. (7) The board should have members representing meat packers and the public. (8) The contracting provisions of the bill may be in conflict with Civil Service requirements and may cause the WSDA to incur unemployment and other costs. (9) There is no reason to believe the bill will provide a better inspection program; the board will be dealing with approximately the same funding as the WSDA. (10) Inspection should be required at each change of ownership.

Testified: E. E. Heindelmann and Les Kenney, and Vern Harkness, Okanogan County Cattlemen's Association; Larry Katola, Washington Dairy Federation; and Mary Burke and Neil Kayser, Washington Cattlemen's Association (in favor). Jim Miles, Washington Cattle Feeders' Association; Rick VandeGraaf, VandeGraaf Ranches; Jim Sauter, AgriBeef Company; Phil Lewis and Sam Wilson, Shenk Packing Company; Mary Beth Lang, Department of Agriculture; (opposed). Sheriff Doug Blair, Washington Sheriff's Association; and Art Stoltman, Washington Livestock Market Association (opposed to parts).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Agriculture & Ecology as such amendment is amended by Committee on Appropriations. Signed by 21 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Benson; Carlson; Cooke; Crouse; Dyer; Grant; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 10 members: Representatives Gombosky, Assistant Ranking Minority Member; Chopp; Cody; Keiser; Kenney; Kessler; Linville; Poulsen; Regala and Tokuda.

Staff: Jeff Olsen (786-7157).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Agriculture & Ecology: A new section was added which makes the bill null and void unless specific funding is provided in the Omnibus Appropriations Act by June 30, 1998.

Appropriation: None.

Fiscal Note: Requested on February 24, 1998.

Effective Date of Amended Bill: The bill takes effect on July 1, 1998. However, the bill is null and void unless funded in the budget.

Testimony For: Stakeholders have worked out a compromise in this legislation. When the fund had its interest diverted to the general fund, the program experienced financial problems. There is a need to address the deficit issue of the program.

Testimony Against: Transferring the identification and inspection program from the Department of Agriculture to a board will not solve the program's financial problems. Efficiencies in the program and fee increases will help, but they do not address the total shortfall. The program is currently \$92,000 in debt, and under this version of the bill the debt will grow to \$234,000 by the end of the 1999-2001 biennium.

Testified: Mary Beth Lang, Department of Agriculture (con); and Chris Cheney Washington State Dairy Federation (pro).