

HOUSE BILL REPORT

ESHB 1597

As Passed Legislature

Title: An act relating to increasing revenue to the state wildlife account by increasing commercial fishing license fees and streamlining wholesale fish dealing, buying, and selling requirements.

Brief Description: Increasing revenue to the state wildlife account by increasing commercial fishing license fees and streamlining wholesale fish dealing, buying, and selling requirements.

Sponsors: House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Blake, Kretz and Doglio; by request of Department of Fish and Wildlife).

Brief History:

Committee Activity:

Agriculture & Natural Resources: 2/1/17, 2/8/17 [DPS].

Floor Activity:

Passed House: 6/29/17, 92-2.

Passed Senate: 6/30/17, 46-3.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Adjusts license and endorsement fees for commercial fisheries, wholesale fish buyers, and fish dealers, adjusts the enhanced food fish tax for various fisheries, and eliminates licenses for fisheries that no longer occur.
- Establishes crewmember licenses with associated fees.
- Directs new revenue from fee and tax increases to the State Wildlife Account.

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Blake, Chair; Chapman, Vice Chair; Buys, Ranking Minority Member; Dent, Assistant Ranking Minority Member; Chandler, Fitzgibbon, Kretz, Lytton, Orcutt, Pettigrew, Robinson, Schmick, Springer, Stanford and J. Walsh.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Rebecca Lewis (786-7339).

Background:

Commercial Fishing Licenses.

The Department of Fish and Wildlife (DFW) manages the commercial harvest of food fish, shellfish, and salmon. Commercial fishers, and fish buyers and sellers, must obtain applicable licenses from the DFW. In general, commercial fishing license fees are structured by species and fishing technique. There is a resident and nonresident fee for each license type.

Fish Selling and Dealing Licenses.

There are several categories of fish buyers and sellers which include:

- An "anadromous game fish buyer" is a person who purchases or sells steelhead trout or any other anadromous fish species harvested by Indian fishers lawfully fishing in accordance with their federal fishing rights and under conditions prescribed by the Director of the DFW. An anadromous game fish buyer license is \$180, which does not include a \$105 application fee.
- A "fish buyer" is a wholesale fish dealer or retail seller who directly receives fish or shellfish from a commercial fisher or through interstate or foreign commerce. A fish buyer license costs \$95, which does not include a \$105 application fee.
- A "fish broker" is a person who facilitates the sale of fish and shellfish by bringing the seller and purchaser of the fish together.
- A "wholesale fish dealer or broker" is a person who takes ownership of fish or shellfish caught in Washington or entered into the state in interstate or foreign commerce and sells, barter, or exchanges, or attempts to sell, barter, or exchange that fish or shellfish.

A commercial fisher may sell their commercially harvested retail-eligible catch directly to a consumer. To do so, the fisher must purchase a direct retail endorsement. The cost of the direct retail endorsement may not exceed the administrative costs to the DFW for issuing an endorsement. Retail-eligible fish are salmon, crab, and sturgeon.

Performance Bond.

A wholesale fish dealer must deposit a performance bond with the DFW of \$1,000 per buyer engaged by the wholesale, before engaging in fish buying or selling activities. The bond may not be less than \$2,000 or more than \$50,000.

License Fees and Taxes.

Most fees and taxes collected on commercial fishing licenses are deposited into the State General Fund. The DFW may assess a 10 percent transaction fee on licenses purchased through the DFW's automated licensing system.

An enhanced food fish tax (or landing tax) is collected on: certain food fish, shellfish, and anadromous game fish, including byproducts and parts, caught in Washington territorial and adjacent waters; salmon caught in the territorial and adjacent waters of Oregon, Washington, and British Columbia; and troll-caught Chinook salmon caught in territorial and adjacent waters of southeast Alaska. The tax rate is the value of the enhanced food fish at the point of landing. A fish is considered "landed" when they are placed on a tender in the territorial waters of Washington, or when they are brought to land, which includes wharves, piers, or other such extensions. The landing tax rate for Chinook, Coho, and Chum salmon, and anadromous game fish is 5.25 percent.

An enhanced food fish excise tax of 4.6 percent was to be collected on all sea urchin and sea cucumber licenses until December 31, 2013, or until license numbers were reduced to 20 licenses, whichever came first. A portion of the tax was deposited into the Sea Cucumber and Sea Urchin Dive Fishery accounts. After December 31, 2013, the tax rate reduced to 2.1 percent and was directed to the State Wildlife Account.

Summary of Engrossed Substitute Bill:

Commercial Fishing Licenses.

Fish Selling and Dealing Licenses.

Changes are made to restructure the multiple types of licenses for fish dealers and sellers.

- A "fish broker" facilitates the sale or purchase of raw or frozen fish or shellfish on commission without assuming title to the fish or shellfish.
- A "fish dealer" engages in the wholesale selling, buying, or brokering of raw or frozen fish or shellfish or takes possession of fish or shellfish, in whole or parts, for canning or processing, or to manufacture or prepare commercial fertilizer, fish bait, oil, or any other byproducts from fish or shellfish.
- A "wholesale fish buyer" takes first possession or ownership of fish or shellfish directly from a commercial fisher or interstate or foreign commerce, or who engages in wholesale buying or selling of fish or shellfish harvested by Indian fishers lawfully exercising fishing rights. Definitions of "fish buyer" and "anadromous fish buyer" are merged into the definition of "wholesale fish buyer." A provision requiring wholesale fish dealers to display licenses on premises at their business is repealed.
- A "limited fish seller" is a licensed commercial fisher who sells their commercially harvested catch at retail directly to consumers. The definition of "retail-eligible species" is removed. A limited fish seller may designate an alternate to sell under their endorsement. The direct retail endorsement is deleted and provisions related to the issuance of direct retail endorsements are repealed.

Wholesale fish buyers, limited fish sellers, and registered aquatic farmers must maintain records required for secondary commercial fish receivers except for fish or shellfish they have documented on fish tickets or aquatic farm reports.

Performance Bond for Wholesale Fish Buyers and Limited Fish Sellers.

The performance bond to be maintained for wholesale fish dealers is \$2,000, and for limited fish sellers is \$1,000.

Various other provisions are updated to account for the restructuring of these licenses.

The fees for the restructured fish dealing and selling licenses are as follows:

	New Fee - Resident	New Fee - Nonresident
Fish Dealer	\$345	\$395
Wholesale Fish Buyer	\$170	\$220
Limited Fish Seller	\$70	\$120

Performance Bond for Wholesale Fish Buyers and Limited Fish Sellers.

The performance bond to be maintained for wholesale fish dealers is \$2,000, and for limited fish sellers is \$1,000.

Crewmember Licenses.

An annual crewmember license is \$35 for residents, \$110 for nonresidents, and is valid for one calendar year. A separate crewmember license is created with a fee of \$35 for both residents and nonresidents for crewmembers on albacore tuna fishing vessels. A commercial fishing license holder may purchase up to two crewmember licenses for any individual working on the vessel named on the commercial fishing license. Each such crewmember license covers one crewmember per trip.

Licenses must be available through the automated licensing program. Transaction and dealer fees apply to both. Immediate family members, including spouses, children, or grandchildren of a person who holds a commercial fishing license are exempt from the crewmember licensing requirement.

Guides and Charters.

Vessel registration decals displayed by charters and guides must include the vessel registration number. Charter crews are permitted to sell roe. Charter guides may sell one-day combination fishing stamps to clients.

Commercial Fishing Licenses.

The resident and nonresident commercial fishing license fee structure is maintained. License fees for most commercial fishing licenses are either increased or decreased to result in a \$75 fee differential between resident and nonresident license fees. Application fees are unchanged from current law.

Licenses for the following fisheries that no longer occur are eliminated:

- dogfish net;
- food fish trawl;
- non-Puget Sound shrimp trawl;
- crab ring net—non-Puget Sound; and
- Dungeness crab coastal class B.

Various provisions are updated to account for the elimination of these licenses.

License Fees and Taxes.

Outdated language pertaining to the reduction of the excise tax on sea cucumber and sea urchin license sales is deleted.

The enhanced food fish excise tax or "landing tax" rate is increased from 5.25 percent to 6.25 percent on ocean waters, Columbia River, Willapa Bay, and Grays Harbor Chinook, Coho, and Chum salmon, and anadromous game fish. New revenue associated with the increase is deposited into the State Wildlife Account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2018.

Staff Summary of Public Testimony:

(In support) The commercial fishing industry is an important economic driver in the state. This bill will help the DFW manage the commercial fisheries and help generate adequate revenue to serve this purpose. The DFW is facing budget shortfalls. This bill is a part of the DFW's Wild Future Initiative. Development on this bill began with the DFW in June. The commercial industry appreciates the work done with the DFW. The commercial fishing industry had input in the original proposal and the substitute bill. The industry agreed to the 1 percent landing fee increase. All extra revenue should be used for increased hatchery production, or to resume the marine detachment on the coast. A majority of the commercial license holders live in Grays Harbor County. Each vessel is essentially a small business and is under the same pressures as other small businesses.

(Opposed) One of the stated goals of the Wild Future Initiative was to build an equitable commercial fishing fee structure to reflect the value of the fishery. The fee changes in the original bill do not meet this goal. The resident and nonresident fees should not be aligned. Raising fees will not help to grow the industry. The tax revenue should not be redirected to the State Wildlife Account without sideboards requiring the funds to be spent on commercial fisheries. There was not disclosure of how the new fees were calculated. The Puget Sound Harvesters Association would like to help refine the bill.

(Other) Commercial fishing is a very important industry to the state. There is some distrust between the commercial and recreational fishing communities, but elements of this bill may serve to restart collegial relationships. There should be language encouraging the DFW to

consult with all of the stakeholders. Salmon gill net fishery licenses should not increase. The crewmember fee is acceptable, but revenue for salmon crewmember licenses should go to salmon fisheries enhancement. Salmon fisheries have an industry-generated fee schedule. The provision redirecting the food fish excise tax to the State Wildlife Account is good.

Persons Testifying: (In support) Representative Blake, prime sponsor; Jim Unsworth, Department of Fish and Wildlife; Greg Mueller, Washington Trollers Association; Butch Smith, Port of Ilwaco; and Tom Echols and Bob Lake, Coalition of Coastal Fisheries.

(Opposed) David Harsila and Ray Honea, Puget Sound Harvesters Association.

(Other) Irene Martin, Salmon For All.

Persons Signed In To Testify But Not Testifying: None.