

# HOUSE BILL REPORT

## SSB 6393

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*As Reported By House Committee on:  
Agriculture & Rural Development  
Appropriations*

**Title:** An act relating to milk producers and distributors and food processors.

**Brief Description:** Instituting fees on dairy producers and handlers and food processors to support WSDA food safety inspection program.

**Sponsor(s):** Senate Committee on Agriculture & Water Resources (originally sponsored by Senator Bailey; by request of Department of Agriculture).

**Brief History:**

Reported by House Committee on:  
Agriculture & Rural Development, February 27, 1992, DPA;  
Appropriations, March 2, 1992, DPA(AG/APP)s.

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**HOUSE COMMITTEE ON  
AGRICULTURE & RURAL DEVELOPMENT**

**Majority Report:** *Do pass as amended.* Signed by 9 members: Representatives Rayburn, Chair; Kremen, Vice Chair; Nealey, Ranking Minority Member; P. Johnson, Assistant Ranking Minority Member; Chandler; Grant; R. Johnson; Rasmussen; and Roland.

**Minority Report:** *Do not pass.* Signed by 2 members: Representatives Lisk and McLean.

**Staff:** Kenneth Hirst (786-7105).

**Background:**

Under the fluid milk laws, all persons who transport, sell, or store milk must be licensed. This includes each operator of a milk plant. Assessments are levied on milk to support the activities of the state's Dairy Products Commission. If a milk pooling plan were proposed and adopted, an assessment would also be levied on all milk sold or received in the milk marketing area created under the plan.

With certain exceptions, no person may operate a food processing plant without obtaining an annual license from

the Department of Agriculture. The fee for such a license is \$25 and a penalty for late payment of the fee is \$15. All monies collected under the laws requiring such licensure are paid to the state treasurer.

The Agricultural Local Fund is not subject to appropriation.

***Summary of Substitute Bill:***

Milk Assessment. For the two years beginning July 1, 1992, an assessment of not more than \$0.005/hundred weight is levied on all milk processed in the state. The assessment is in an amount which the director of the Department of Agriculture determines by rule will, with general fund monies, support an inspection program to maintain compliance with an interstate pasteurized milk ordinance. The assessments are levied on the operator of the first milk plant receiving the milk for processing. They are to be paid to the director monthly and deposited in a dairy inspection account which is created within the Agricultural Local Fund. Monies from the account may be used only to provide inspection services to the dairy industry. Interest on monies in the account accrue to the inspection program. A lien is established for delinquent assessments which has the same priority and is to be collected in the same manner as delinquent taxes.

Advisory Committee. An advisory committee is created to review this dairy inspection program and to consider alternatives. It must issue a preliminary report of its findings by October 15, 1992. The committee must report to the House and Senate Agriculture Committees its recommendations regarding the long-term funding and structure of the program by December 1, 1992.

Food Processor Fees. The annual license fee charged food processors licensed under the state's Food Processing Act is increased. Rather than being \$25 for all licensees, the fee is based on annual gross sales and ranges from \$50 for a processor with sales of up to \$50,000 to \$750 for a processor with sales of over \$10 million. The delinquency fee is increased from being \$15 for any licensee to being 10 percent of the license fee.

Rather than being paid into the state treasury, all monies received by the department under the Food Processing Act are to be deposited in a food processing inspection account created within the Agricultural Local Fund. Monies from the account may be used only for carrying out the provisions of the Food Processing Act and the state's Food, Drug, and Cosmetic Act.

**Amended Bill Compared to Substitute Bill:** The substitute Senate bill requires milk producers to secure a new permit and pay a new permit fee; this requirement is eliminated by the amendment. The amendment also: increases to \$0.005/hundred weight (from \$0.003/hundred weight) the maximum assessment that may be levied under the bill on milk processed in the state and creates the accounts in the Agricultural Local Fund into which fees are deposited under the substitute Senate bill.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (1) Milk producers in Snohomish County were delisted by a federal inspector for interstate shipments of milk; the delisting cost the producers approximately \$500,000. The dairy inspection program needs to be enhanced to help prevent future delistings, but the Department of Agriculture's budget is being cut. This bill is needed to fund inspections. (2) Most states have a user fee system to support programs such as this. (3) The increase in licensing fees for food processors is needed to provide an increased level of inspection by the department for food safety. The increased level of inspection will provide insurance against a consumer scare based on food safety issues.

**Testimony Against:** None.

**Witnesses:** Senator Bailey (in favor); Dan Coyne and Dennis Felt, Washington State Dairy Federation (in favor); Bill Fritz, Washington Food Processors Association (in favor); and John Daley, Department of Agriculture (in favor).

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**HOUSE COMMITTEE ON  
APPROPRIATIONS**

**Majority Report:** *Do pass as amended by Committee on Agriculture & Rural Development as such amendment is amended by Committee on Appropriations.* Signed by 18 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Appelwick; Brekke; Dorn; Ebersole; Ferguson; Hine; May; Nealey; Peery; Pruitt; Rust; Sprengle; Vance; and Wang.

**Minority Report:** *Do not pass.* Signed by 7 members: Representatives Morton, Assistant Ranking Minority Member; Bowman; Carlson; Fuhrman; Lisk; Mielke; and Wineberry.

**Staff:** Susan Nakagawa (786-7145).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Agriculture and Rural Development:** Language directing interest earnings from assessments into the Agricultural Local Fund is stricken.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Legislation is necessary to adequately fund the dairy inspection program. General fund support has not been adequate to support the program.

**Testimony Against:** The burden of assessments is unfairly borne by milk processors. A more equitable distribution would assess both processors and producers.

**Witnesses:** John Daley, Department of Agriculture; Dan Coyne, Washington State Dairy Association; and Ann Gygi, Washington Dairy Processors Association.