

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1017 (Delegate Charkoudian, *et al.*)
 Health and Government Operations

Finance

Public Health - Cottage Food Product Labels - Identification Number

This bill requires the Maryland Department of Health (MDH), at the request of a cottage food business, to provide the cottage food business a unique identification number that the cottage food business may use on the label of a cottage food product. This identification number can be included on its label instead of the name and address of the cottage food business.

Fiscal Summary

State Effect: General fund expenditures increase by \$74,300 in FY 2021 for staff and to develop a database. Out-years reflect ongoing staff costs, with a reduction from a full-time to a part-time position in FY 2022. Revenues are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	74,300	31,800	23,600	24,500	25,400
Net Effect	(\$74,300)	(\$31,800)	(\$23,600)	(\$24,500)	(\$25,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not expected to materially affect local health department finances or operations.

Small Business Effect: Minimal fiscal impact, but cottage food businesses benefit from additional flexibility with regard to required labeling under the bill.

Analysis

Current Law: A “cottage food business” is a business that (1) produces or packages cottage food products in a residential kitchen in Maryland; (2) sells cottage food products; and (3) has annual revenues from the sale of cottage food products that do not exceed \$25,000.

A cottage food business is generally not required to obtain a license. Among other requirements, cottage food products must be labeled with the statement “Made by a cottage food business that is not subject to Maryland’s food safety regulations.” MDH is authorized to investigate any complaint alleging that a cottage food business has violated applicable food safety laws.

“Cottage food product” means a nonhazardous food, as specified in regulations adopted by MDH, that is sold in the State (1) directly to a consumer from a residence, at a farmer’s market or a public event, by personal delivery, or by mail delivery or (2) to a retail food store, including a grocery store or a food cooperative. However, prior to selling a cottage food product to a retail store, the owner of a cottage food business must submit to MDH (1) documentation of the owner’s successful completion of an MDH-approved food safety course and (2) the label that will be affixed to the product. The label must include the phone number and email address of the cottage food business and the date the cottage food product was made.

State Expenditures: General fund expenditures for MDH increase by \$74,326 in fiscal 2021, which accounts for the bill’s October 1, 2020 effective date. This estimate reflects the cost of hiring one full-time administrative officer to (1) assist with the development of the database; (2) develop and issue the initial batch of identification numbers; (3) review new applications to ensure compliance with cottage food labeling laws; and (4) conduct outreach to local health departments regarding labeling requirements. It includes a salary, fringe benefits, one-time start-up costs (including contractual expenditures to develop a database to track the identification numbers and cottage food businesses that apply for a number), and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- MDH does not currently track or register cottage food businesses in the State, and there are a potentially significant number of businesses that request an identification number;
- issuing unique identification numbers necessitates the development of a database and ongoing staff efforts to track the businesses and identification numbers; and
- MDH does not have sufficient resources to implement the bill with existing staff.

Position	1
Salary and Fringe Benefits	\$43,960
Contractual Costs	25,000
Other Operating Expenses	<u>5,366</u>
Total FY 2021 State Expenditures	\$74,326

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses. However, it is assumed that, after the initial batch of identification numbers are issued to cottage food businesses and the database is established, the administrative officer is able to transition from a full-time basis to a part-time basis after the first year.

This analysis assumes robust participation from cottage food businesses requesting identification numbers. To the extent that only a minimal number of businesses request a number, MDH may not need to retain staff on a permanent basis, and costs decrease in out-years.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Association of County Health Officers; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2020
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