



DEPARTMENT OF HEALTH

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Secretary

March 29, 2022

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401-1991

RE: HB 178 (3rd) – Public Health - Cottage Food Businesses - Annual Revenues – Letter of Information

Dear Chair Kelley and Committee Members:

The Maryland Department of Health (MDH) is submitting this letter of information for HB 178 (3rd Reader) – Public Health - Cottage Food Businesses - Annual Revenues. HB 178 (3rd) would raise the revenue limit for cottage food businesses (CFBs) from \$25,000 to \$50,000 per year.

CFBs operate out of private home kitchens, which are unlicensed and not inspected by the State. CFBs provide a way for people to make and sell certain food products which do not require temperature controls, such as breads, cookies, and jams. On a small scale, private home kitchens may be able to meet the needs of CFBs, however, home kitchens (including septic systems, equipment, and storage) are not designed to the same food safety standards as commercial kitchens. Exceeding the designed capacity of any kitchen can lead to food contamination and other food safety concerns.

As CFBs grow, there is a mechanism for them to safely increase production by utilizing incubator kitchen facilities that are licensed and meet food safety standards. This allows CFBs the opportunity to expand and ultimately become commercial licensed food retailers, while still meeting food safety standards. The Department notes that, if the revenue limit is raised, there may be less incentive for CFBs to make the transition to incubator sites where there are fewer opportunities for contamination and food safety concerns.

MDH recognizes that licensure as a retail or manufacturing food facility may not be practical for all businesses and has worked with CFBs to successfully operate in Maryland. Under the current revenue limits, CFBs are unlikely to directly compete with licensed retail food facilities, but if the revenue limits are increased, it raises the possibility of two different sets of operating and safety standards, one for licensed food retailers, and another for CFBs, who would nevertheless be comparable in their revenue and distribution potential. This could potentially produce a competitive advantage for larger CFBs compared with licensed food retailers of similar products.

MDH also notes that Pennsylvania, Virginia, and the District of Columbia require registration and inspection of residential home kitchens used for CFBs, neither of which is required in Maryland.

I hope this information is useful. If you would like to discuss this further, please contact Heather Shek, Director, Office of Governmental Affairs at 410-767-5282 or heather.shek@maryland.gov.

Sincerely,

A handwritten signature in cursive script that reads "Dennis R. Schrader".

Dennis R. Schrader
Secretary