

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 178

(Delegate Chang, *et al.*)

Health and Government Operations

Finance

Public Health – Cottage Food Businesses – Annual Revenues

This bill increases the maximum annual revenues from the sale of cottage food products that a “cottage food business” may have from \$25,000 to \$50,000.

Fiscal Summary

State Effect: General fund expenditures increase by \$60,800 in FY 2023 for staff. Out-years reflect ongoing staff costs, with a reduction from a full-time to a part-time position in FY 2024. Revenues are not affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	60,800	30,800	31,700	32,500	33,500
Net Effect	(\$60,800)	(\$30,800)	(\$31,700)	(\$32,500)	(\$33,500)

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: Potential meaningful.

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.” The Maryland Department of Health (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 \$60,810 in fiscal 2023, which accounts for the bill’s October 1, 2022 effective date. This estimate reflects the cost of hiring one full-time administrative officer who transitions to part-time (25%) at the beginning of fiscal 2024 to (1) review new applications to ensure compliance with cottage food labeling laws and (2) develop and issue additional identification numbers to new cottage food businesses. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. This analysis assumes that (1) increasing the maximum annual revenues permitted for a cottage food business results in a significant number of additional cottage food businesses entering the industry and seeking label reviews and identification numbers and (2) MDH does not have sufficient resources to implement the bill with existing staff.

Position	1.0
Salary and Fringe Benefits	\$51,592
Operating Expenses	<u>9,218</u>
Total FY 2023 State Expenditures	\$60,810

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. This estimate assumes that after the initial batch of new identification numbers and label reviews for cottage food businesses entering the market are complete, the administrative officer transitions from full-time to part-time (25%) after nine months.

To the extent that only a minimal number of new businesses request label reviews and/or identification numbers, MDH may not need to retain staff on a permanent basis and costs decrease in out-years.

Small Business Effect: Increasing the maximum amount of annual revenues allowed for a business to be considered a cottage food business expands business opportunities for cottage food businesses by both encouraging new small businesses to enter the market and allowing existing businesses to expand.

Additional Information

Prior Introductions: HB 889 of 2021, a similar bill, received a hearing in the House Health and Government Operations Committee, but no further action was taken.

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 - January 17, 2022
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