

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 8
Finance

(Senator Getty)

Public Health - Regulation of Milk Products - Revisions

This emergency bill expands Maryland's Pilot Farmstead Cheese Program by removing the "pilot" restrictions. The bill expands the type of species that fall under the realm of these permits and removes the limitations on (1) the number of milk processor – farmstead cheese producer permits that the Secretary of Health and Mental Hygiene may issue; (2) the permissible number of animals in the herd or flock; and (3) the number of times the Secretary can renew a milk processor – farmstead cheese producer permit.

Fiscal Summary

State Effect: Department of Health and Mental Hygiene (DHMH) can continue to issue permits and conduct inspections with existing resources. Potential minimal increase in general fund revenues from permit and annual renewal fees.

Local Effect: Local health departments can handle the bill's requirements as part of their regular inspections. Revenues are not affected.

Small Business Effect: Meaningful for dairy farms in the State that are producing, or wish to produce, dairy products under this program.

Analysis

Bill Summary: The bill expands the definition of a "dairy farm" to include "other hooved mammal[s]" in addition to a place where at least one cow or goat is kept. Consequently, the bill adds "other hooved mammal[s]" to the definitions of milk, Grade A milk, and manufactured milk. The bill removes all references to the program being a "pilot" program.

Current Law: Chapter 437 of 2007 established the Farmstead Cheese Pilot Program in Talbot County. Chapter 437 created a milk processor – farmstead cheese producer permit and authorized a permit holder to produce farmstead cheese. “Farmstead cheese” is defined as cheese that meets definitions and standards for hard cheese established in federal regulations and is made on a farm using only the raw milk produced by the herd on the farm.

Chapter 332 of 2008 expanded the program to five dairy farmers statewide and extended the program’s termination date by two years to 2014. Chapter 332 also limited the pilot program to a five-year period and authorized the Secretary of Health and Mental Hygiene to impose a fee for laboratory expenses related to the program. The fees are deposited into a Laboratory Testing Fund established by Chapter 332 and are designated for laboratory testing associated with farmstead cheese production. Chapters 609 and 610 of 2009 repealed the program’s termination date and required DHMH to write a report on the status of the farmstead cheese program on or before October 1, 2013.

To qualify for a milk processor – farmstead cheese producer permit, applicants must operate a farm with no more than 120 cows or goats in the herd and meet any other regulations established by DHMH. A permit expires one year after its effective date unless it is renewed. Permits can be renewed for up to four additional one-year terms if inspection and testing staff, equipment, and other resources are available, and if the permit holder continues to meet other requirements established by DHMH through regulations. Permit and annual renewal fees are \$100. Up to five permits statewide may be issued.

Background: In October 2013, DHMH published a report on the program, as required by Chapters 609 and 610 of 2009, and concluded that the program has been successful and well received by the producers and the community. There are currently three permitted milk processor – farmstead cheese producers in Maryland. These programs produce six different types of hard raw milk cheeses in Talbot, Prince George’s, and Carroll counties. DHMH advises that the program anticipates that participation will remain stable based on the current landscape in Maryland.

State Fiscal Effect: DHMH can continue to issue permits and conduct inspections with existing resources at current program levels. However, should the program expand beyond 10 farms, the department advises it would need additional funding, staff, and equipment to sufficiently administer the program.

Although Chapter 332 of 2007 authorized DHMH to impose a fee for laboratory testing, and established the Laboratory Testing Fund into which laboratory fees for farmstead cheese testing would be deposited, the Act did not mandate that farmstead cheese producers use the Laboratories Administration for testing. To date, these producers have not utilized the Laboratories Administration and are presumably using third-party laboratories instead.

Thus, the bill likely has no operational or fiscal impact on the Laboratories Administration or the Laboratory Testing Fund.

General fund revenues likely remain between \$300 and \$400 annually from initial permit and annual renewal fees. To the extent that the program grows, revenues increase – minimally – from fee revenues. This estimate is based on the following information and assumptions:

- There are 455 dairy farms in Maryland, but DHMH estimates that less than a dozen are likely interested in farmstead cheese manufacturing.
- There are three milk processors – farmstead cheese producers currently permitted, and DHMH reports that only one new producer that has inquired about the program.
- Initial permit and annual renewal fees are set at \$100. This analysis assumes fees remain at this level.

Additional Information

Prior Introductions: None.

Cross File: Although not designated as a cross file, HB 540 (Delegate Mautz – Health and Government Operations) is identical. Likewise, its cross file, SB 122 (Senator Eckardt, *et al* – Finance), is identical.

Information Source(s): Maryland Association of County Health Officers, Maryland Department of Agriculture, Department of Health and Mental Hygiene, Department of Legislative Services

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